

Economic Update, August 16, 2019  
Submitted by Dave Keiser

Summary: The economic news was mixed this week. On the downside, consumer sentiment slipped as perceptions of monetary and trade policies declined, with data suggesting that consumers have increased apprehensions about a possible recession. On top of that, interest rates on long-term bonds have fallen below the level for short-term bonds, signaling that investors are more optimistic about the long-term than they are about the short-term ([more info](#)). There wasn't much change in the manufacturing sector, and the exports/imports ratio was unchanged. Unemployment continues to hover around 3.7%, and unemployment insurance claims were down this week in Tennessee. On the upside, retail and food service sales increased, nonfarm labor productivity increased, and more youth took summer jobs than last they did last summer. Housing permits saw a jump in July, and mortgage applications increased.

Census Bureau

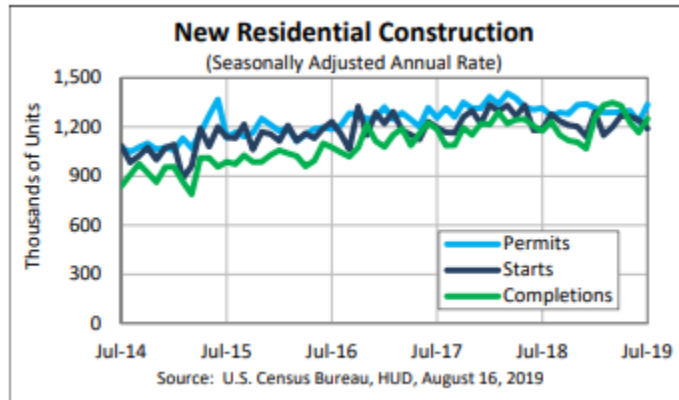
Thursday, [Advance Monthly Sales for Retail and Food Services](#): "Advance estimates of U.S. retail and food services sales for July 2019 . . . were \$523.5 billion, an increase of 0.7 percent from the previous month, and 3.4 percent above July 2018. Total sales for the May 2019 through July 2019 period were up 3.3 percent from the same period a year ago. The May 2019 to June 2019 percent change was revised from up 0.4 percent to up 0.3 percent."

Thursday, [Manufacturing and Trade, Inventories and Sales](#): "The combined value of distributive trade sales and manufacturers' shipments for June . . . was estimated at \$1,460.1 billion, up 0.1 percent from May 2019 and was up 1.3 percent from June 2018. Manufacturers' and trade inventories . . . were estimated at an end-of-month level of \$2,035.7 billion, virtually unchanged from May 2019, but were up 5.2 percent from June 2018. The total business inventories/sales ratio based on seasonally adjusted data at the end of June was 1.39. The June 2018 ratio was 1.34."



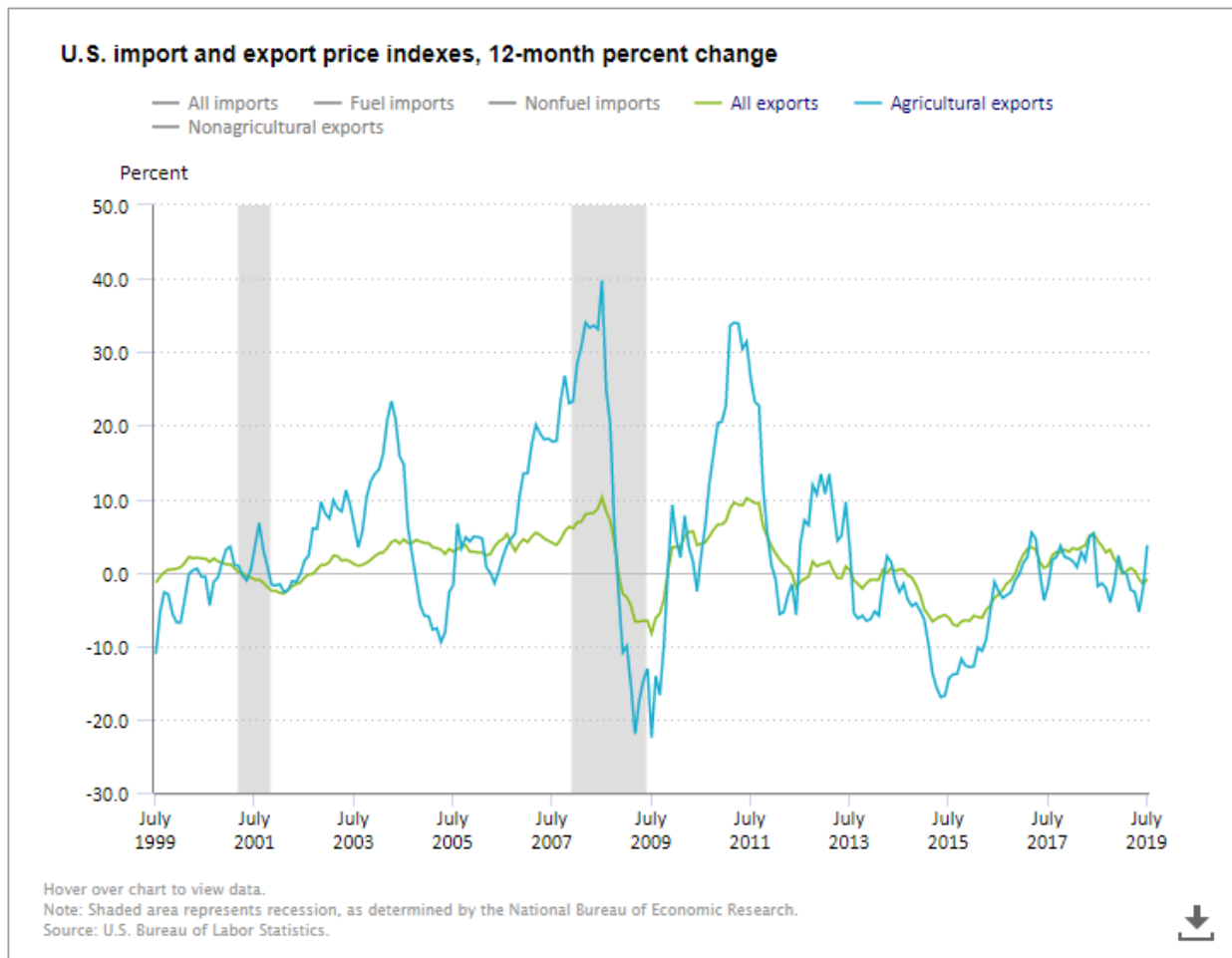
Friday, [New Residential Construction](#): "Privately-owned housing units authorized by building permits in July were at a seasonally adjusted annual rate of 1,336,000. This is 8.4 percent above the revised June rate of 1,232,000 and is 1.5 percent above the July 2018 rate of 1,316,000. Single-family authorizations in July were at a rate of 838,000; this is 1.8 percent above the revised June figure of 823,000. . . . Privately-owned housing starts in July were at a seasonally adjusted annual rate of 1,191,000. This is 4.0 percent below the revised June estimate of 1,241,000, but is 0.6 percent above the July 2018 rate of 1,184,000. . . . Privately-owned housing completions in July were at a seasonally

adjusted annual rate of 1,250,000. This is 7.2 percent above the revised June estimate of 1,166,000 and is 6.3 percent above the July 2018 rate of 1,176,000.”



Bureau of Labor Statistics

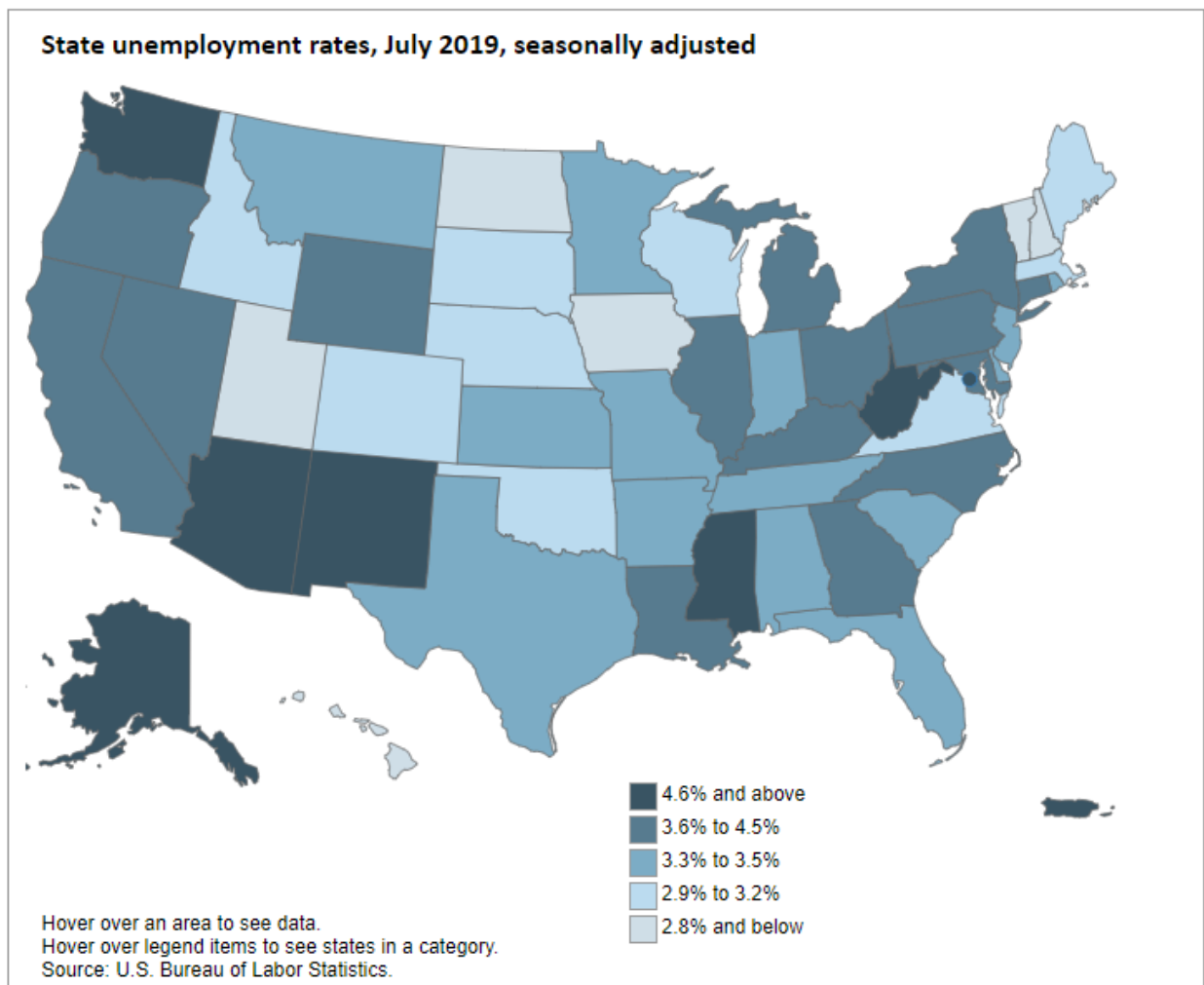
Wednesday, [U.S. Import and Export Price Indexes](#): “Prices for U.S. imports increased 0.2 percent in July . . . following a 1.1-percent decline the previous month. In July, rising fuel prices more than offset lower nonfuel prices. The price index for U.S. exports advanced 0.2 percent in July, after falling 0.6 percent in June and 0.3 percent in May.”



Thursday, [Productivity and Costs](#): “Nonfarm business sector labor productivity increased 2.3 percent in the second quarter of 2019 . . . as output increased 1.9 percent and hours worked decreased 0.4 percent. From the second quarter of 2018 to the second quarter of 2019, productivity increased 1.8 percent, reflecting a 2.6-percent increase in output and a 0.8-percent increase in hours worked.”

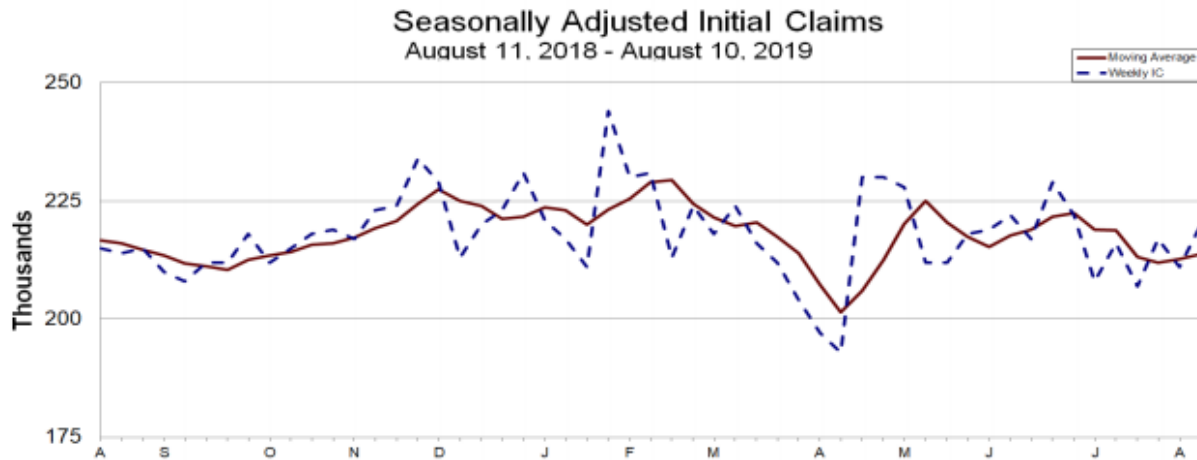
Friday, [Summer Youth Labor Force](#): “From April to July 2019, the number of employed youth 16 to 24 years old increased by 2.4 million to 21.2 million. . . . In July 2019, 56.2 percent of young people were employed, up from 55.0 percent in July 2018. (The month of July typically is the summertime peak in youth employment.) The unemployment rate for youth was 9.1 percent in July, the lowest rate since July 1966, and little changed from the prior year.”

Friday, [State Employment and Unemployment](#): “Unemployment rates were lower in July in 6 states, higher in 2 states, and stable in 42 states and the District of Columbia. . . . Three states had jobless rate decreases from a year earlier, 1 state had an increase, and 46 states and the District had little or no change. The national unemployment rate, 3.7 percent, was unchanged over the month and little changed from July 2018. Nonfarm payroll employment increased in 5 states in July 2019 and was essentially unchanged in 45 states and the District of Columbia. Over the year, 25 states added nonfarm payroll jobs and 25 states and the District were essentially unchanged.” Since July 2018, Tennessee’s nonfarm payrolls increased by 55,100 (1.8 percent), while the state’s unemployment rate remains unchanged.



U.S. Department of Labor

Thursday, [Initial Claims](#): “In the week ending August 10, the advance figure for seasonally adjusted initial claims was 220,000, an increase of 9,000 from the previous week’s revised level. . . . The 4-week moving average was 213,750, an increase of 1,000 from the previous week’s revised average.” The number of new claims reported in Tennessee decreased by 363.



Mortgage Bankers Association

Thursday, [Home Purchase Mortgage Applications](#): “The Mortgage Bankers Association (MBA) Builder Application Survey (BAS) data for July 2019 shows mortgage applications for new home purchases increased 31.2 percent compared from a year ago. Compared to June 2019, applications increased by 11 percent. This change does not include any adjustment for typical seasonal patterns.”

The University of Michigan

Friday, [Index of Consumer Sentiment](#): The index decreased from 98.4 at the end of July to 92.1. “Consumer sentiment declined in early August to its lowest level since the start of the year. . . . Monetary and trade policies have heightened consumer uncertainty—but not pessimism—about their future financial prospects. Consumers strongly reacted to the proposed September increase in tariffs on Chinese imports, spontaneously cited by 33% of all consumers in early August, barely below the recent peak of 37%. . . . The main takeaway for consumers from the first cut in interest rates in a decade was to increase apprehensions about a possible recession. . . . Perhaps the most important remaining pillar of strength for consumer spending is favorable job and income prospects, although the August survey indicated some concerns about the future pace of income and job gains.”