Economic Update, August 23, 2019

Submitted by Michael Mount

Summary: The Leading Economic Index ticked up after two months of decline, led by housing permits, unemployment insurance claims, stock prices, and credit (see chart below). The Chairman of the Federal Reserve said financial risks are "moderate," indicating that further rate cuts might not be needed. Meanwhile, the labor market might not be as strong as we thought. The Bureau of Labor Statistics revised March 2019 nonfarm employment downward by 501,000.

Census

Friday, New Residential Sales: "Sales of new single-family houses in July 2019 were at a seasonally adjusted annual rate of 635,000. . . . This is 12.8 percent below the revised June rate of 728,000, but is 4.3 percent above the July 2018 estimate of 609,000."

Bureau of Economic Analysis

Friday, US Multinationals: "Worldwide employment by U.S. multinational enterprises increased 0.4 percent to 42.5 million workers in 2017 from 42.3 million in 2016."

Bureau of Labor Statistics

Wednesday, Current Employment Statistics: "The preliminary estimate of the benchmark revision indicates a downward adjustment to March 2019 total nonfarm employment of -501,000 (-0.3 percent)."

Wednesday, County Employment and Wages: "From March 2018 to March 2019, employment increased in 298 of the 355 largest U.S. counties." In Tennessee, Williamson County led the way with employment increasing 4.0 percent (6th best in the country) and average weekly wages increasing 7.4 percent (5th best in the country). Knox County's average weekly wage decreased 2.7 percent (3rd worst in the country).

Thursday, Longitudinal Survey: "Individuals born in the latter years of the baby boom (1957-64) held an average of 12.3 jobs from ages 18 to 52. . . . Nearly half of these jobs were held from ages 18 to 24."

Department of Labor

Thursday, Initial Claims: "In the week ending August 17, the advance figure for seasonally adjusted initial claims was 209,000, a decrease of 12,000 from the previous week's revised level."

Mortgage Bankers Association

Wednesday, Mortgage Applications: "Mortgage applications decreased 0.9 percent from one week earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($484,350 or less) decreased to 3.90 percent from 3.93 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages increased to 3.30 percent from 3.28 percent."

National Association of Realtors

Wednesday, Existing Home Sales: "Existing-home sales strengthened in July, a positive reversal after total sales were down slightly in the previous month. . . . Total existing-home sales . . . rose 2.5% from June to a seasonally adjusted annual rate of 5.42 million in July."

Federal Reserve

Wednesday, FOMC Minutes: "The information available for the July 30–31 meeting indicated that labor market conditions remained strong and that real gross domestic product (GDP) increased at a moderate rate in the second quarter. Consumer price inflation, as measured by the 12-month percentage change in the price index for personal consumption expenditures (PCE), was below 2 percent in June."

Friday, Chairman Powell Speech: "I continue to judge overall financial stability risks to be moderate. . . . While monetary policy is a powerful tool that works to support consumer spending, business investment, and public confidence, it cannot provide a settled rulebook for international trade. We can, however, try to look through what may be passing events, focus on how trade developments are affecting the outlook, and adjust policy to promote our objectives."

IHS Markit

Thursday, Purchasing Managers' Index: "August data signaled a renewed slowdown in the rate of U.S. private sector business activity growth." The index "dipped from 52.6 in July to 50.9 in August, to signal only a slight increase in business activity and the slowest pace of expansion for three months."

The Conference Board

Thursday, Leading Economic Index: The index "for the U.S. increased 0.5 percent in July to 112.2 (2016 = 100), following a 0.1 percent decline in June, and a 0.1 percent decline in May. 'The US LEI increased in July, following back-to-back modest declines. Housing permits, unemployment insurance claims, stock prices and the Leading Credit Index were the major drivers of the improvement,' said Ataman Ozyildirim, Senior Director of Economic Research at The Conference Board. 'However, the manufacturing sector continues exhibiting signs of weakness and the yield spread was negative for a second consecutive month. While the LEI suggests the US economy will continue to expand in the second half of 2019, it is likely to do so at a moderate pace.'"