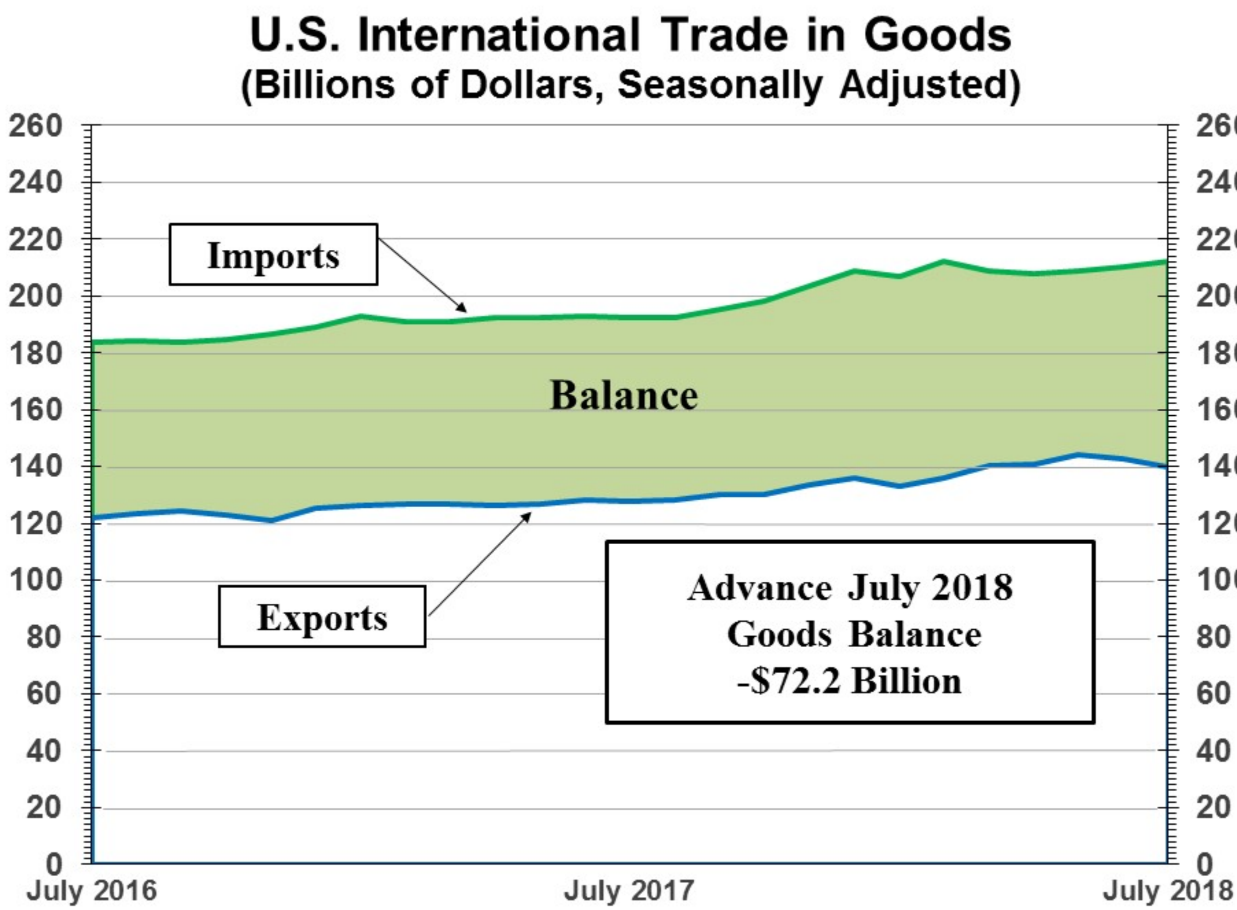
Economic Update, August 31, 2018
Submitted by Dave Keiser

Summary: The big news this week was that the Gross Domestic Product (GDP) increased 4.2 percent during the second quarter. Unemployment rates remain low and the four-week average for initial claims reached a low last seen in 1969! On top of that, consumer confidence also increased. But it may not last—the trade deficit grew, so it is less likely that the GDP will increase as much this quarter as it did in the second quarter. Home sales continue their downward trend and rising inflation may be one of the reasons, as fewer potential homebuyers can afford houses on the market. Wages increased but by very little.

Census Bureau

Tuesday, Advance Economic Indicator Report (International Trade, Retail and Wholesale): "The international trade deficit was $72.2 billion in July, up $4.3 billion from $67.9 billion in June. Exports of goods for July were $140.0 billion, $2.5 billion less than June exports. Imports of goods for July were $212.2 billion, $1.8 billion more than June imports. Wholesale inventories for July, adjusted for seasonal variations but not for price changes, were estimated at an end-of-month level of $637.0 billion, up 0.7 percent from June 2018, and were up 5.2 percent from July 2017. Retail inventories for July, adjusted for seasonal variations but not for price changes, were estimated at an end-of-month level of $637.7 billion, up 0.4 percent from June 2018, and were up 2.3 percent from July 2017."



*Note: Trade in Goods Data are based on Final Trade statistics except for the current month, which is based on Advance statistics.

Bureau of Labor Statistics

Tuesday, Worker Displacement: "From January 2015 through December 2017, there were 3.0 million workers displaced from jobs they had held for at least 3 years. This was down slightly from 3.2 million workers for the prior survey period covering January 2013 to December 2015. In January 2018, 66 percent of workers displaced from 2015 to 2017 were reemployed, little different from the reemployment rate for January 2016. An additional 3.8 million persons were displaced from jobs they had held for less than 3 years (referred to as short-tenured workers). Combining the short- and long-tenured groups, the number of displaced workers totaled 6.8 million from 2015 to 2017. This is down from 7.4 million for the 2013-15 survey period.

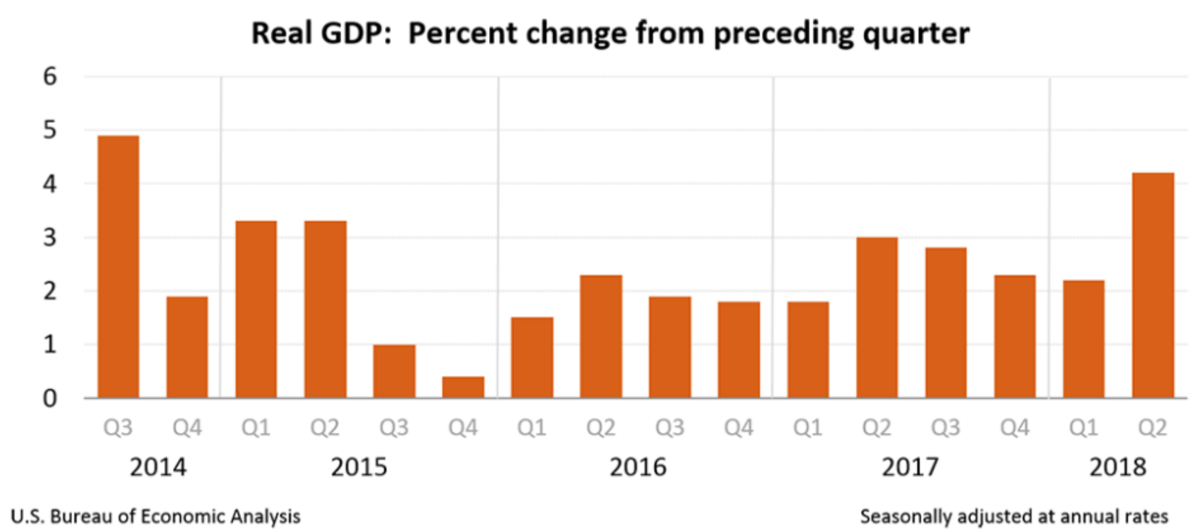
For the major occupation groups, the reemployment rates changed little from the prior survey. The January 2018 reemployment rates were 72 percent for those displaced from management, professional, and related occupations; 71 percent for production, transportation and material moving occupations; 64 percent for service occupations; 62 percent for sales and office occupations; and 60 percent for natural resources, construction, and maintenance occupations."

Wednesday, Metropolitan Area Employment and Unemployment: "Unemployment rates were lower in July than a year earlier in 323 of the 388 metropolitan areas, higher in 41 areas, and unchanged in 24 areas. Fifty-three areas had jobless rates of less than 3.0 percent and two areas had rates of at least 10.0 percent. Nonfarm payroll employment increased over the year in 59 metropolitan areas and was essentially unchanged in 329 areas. The national unemployment rate in July was 4.1 percent, not seasonally adjusted, down from 4.6 percent a year earlier." Among the 10 Tennessee MSAs, two had lower unemployment rates in July 2018 compared to July 2017, five had higher rates, and three had the same rate. In eight Tennessee MSAs, total nonfarm employment decreased slightly from June 2018 to July, but remember that these data are not seasonally adjusted. Total employment increased in nine of the ten from July 2017 to July 2018, with the Johnson City MSA showing no change.

Bureau of Economic Analysis

Wednesday, Gross Domestic Product, 2nd Quarter 2018 (Second Estimate): "Real gross domestic product (GDP) increased at an annual rate of 4.2 percent in the second quarter of 2018, according to the 'second' estimate. In the first quarter, real GDP increased 2.2 percent."

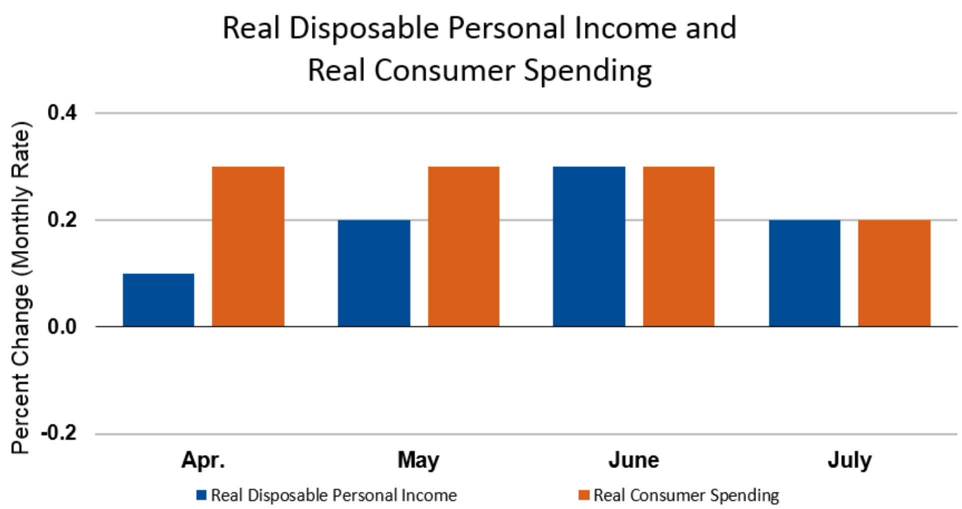
The second-quarter increase in real GDP reflected increases in consumer spending on services and goods, business investment, exports, and government spending, while inventory investment and housing investment decreased. Imports, which are a subtraction in the calculation of GDP, decreased.



Wednesday, Corporate Profits, 2nd Quarter 2018 (Preliminary estimate): "Profits from current production (corporate profits with inventory valuation and capital consumption adjustments) increased $72.4 billion in the second quarter, compared with an increase of $26.7 billion in the first quarter.

Profits of domestic financial corporations increased $16.8 billion in the second quarter, in contrast to a decrease of $9.3 billion in the first quarter. Profits of domestic nonfinancial corporations increased $63.6 billion, compared with an increase of $32.3 billion. Rest-of-the-world profits decreased $8.0 billion, in contrast to an increase of $3.7 billion. In the second quarter, receipts decreased $6.0 billion, and payments increased $2.0 billion."

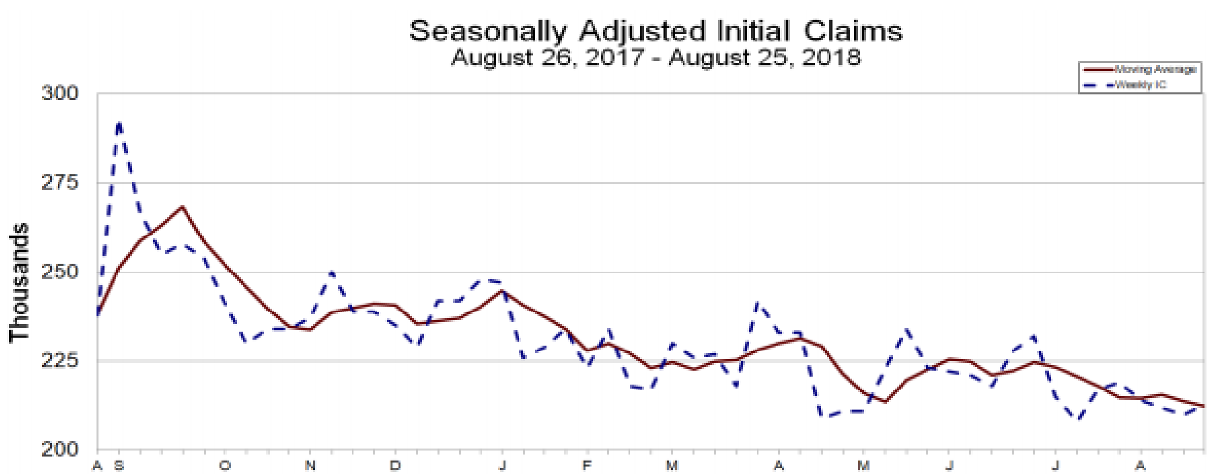
Thursday, Personal Income and Outlays: "Personal income increased 0.3 percent in July after increasing 0.4 percent in June. Wages and salaries, the largest component of personal income, increased 0.4 percent in July, the same increase as in June."



Source: Bureau of Economic Analysis

U.S. Department of Labor

Thursday, Initial Claims: "In the week ending August 25, the advance figure for seasonally adjusted initial claims was 213,000, an increase of 3,000 from the previous week's unrevised level of 210,000. The 4-week moving average was 212,250, a decrease of 1,500 from the previous week's unrevised average of 213,750. This is the lowest level for this average since December 13, 1969 when it was 210,750."



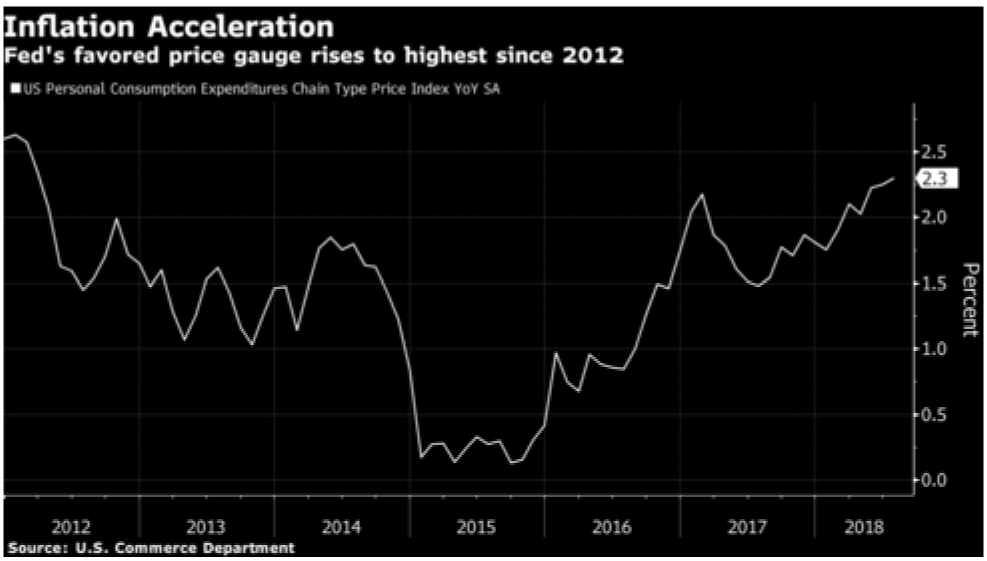
The Conference Board

Tuesday, Consumer Confidence Index: "The Consumer Confidence Index increased in August, following a modest increase in July. The Index now stands at 133.4 (1985=100), up from 127.9 in July. The Present Situation Index improved from 166.1 to 172.2, while the Expectations Index increased from 102.4 last month to 107.6 this month.

'Consumer confidence increased to its highest level since October 2000 (Index, 135.8), following a modest improvement in July', said Lynn Franco, Director of Economic Indicators at The Conference Board. 'Consumers' assessment of current business and labor market conditions improved further. Expectations, which had declined in June and July, bounced back in August and continue to suggest solid economic growth for the remainder of 2018. Overall, these historically high confidence levels should continue to support healthy consumer spending in the near-term.'"

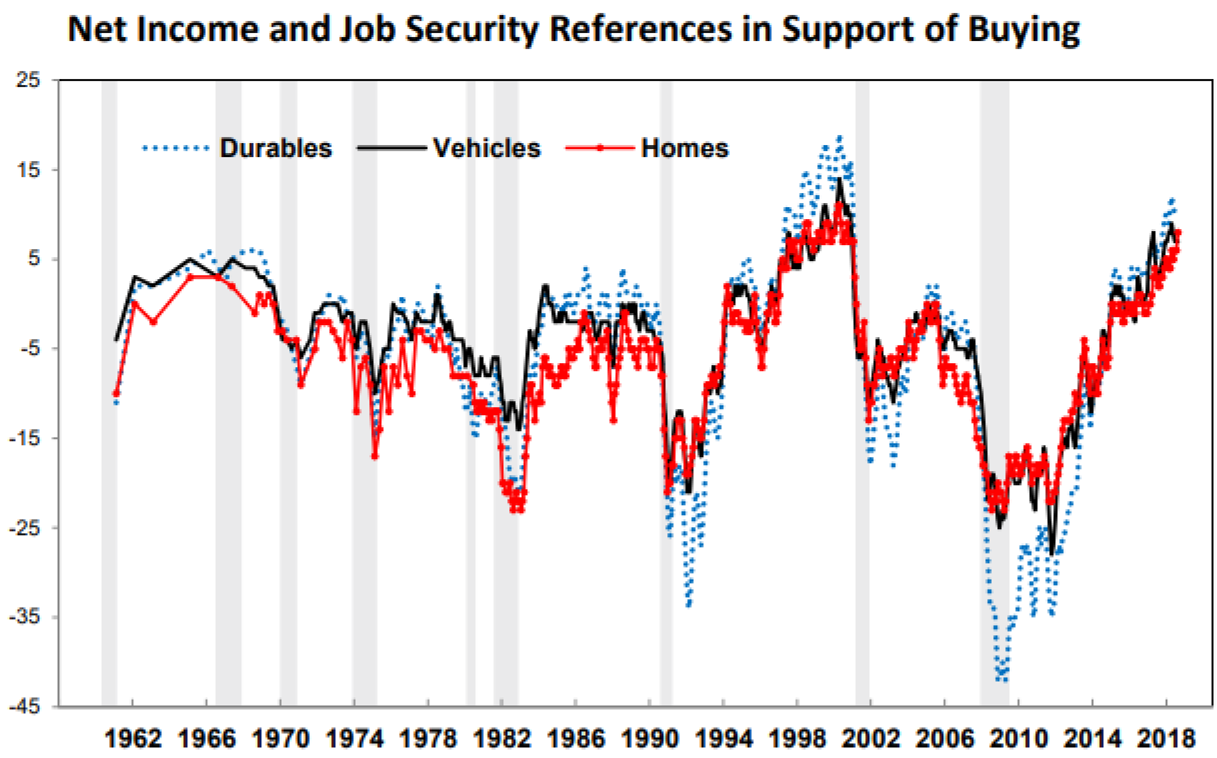
Bloomberg.com

Thursday, Inflation Acceleration: "U.S. consumer spending extended gains into July and inflation rose to a six-year high, reflecting economic strength that should keep Federal Reserve policy makers on track to keep gradually raising interest rates."



University of Michigan

Friday, Consumer Sentiment Index: "Although there was a small uptick in late August, consumer sentiment remained at its lowest level since January. Most of the August decline was in the Current Economic Conditions Index, which fell to its lowest level since November 2016. These results stand in sharp contrast to the recent very favorable report on growth in the national economy. The dominating weakness was related to less favorable assessments of buying conditions, mainly due to less favorable perceptions of market prices and to a lesser extent, rising interest rates. Future income and job certainty have become the main reasons cited by consumers for their positive spending views."



University of Michigan 2018

National Association of Realtors

Wednesday, Pending Home Sales: "Pending home sales stepped back in July and have now fallen on an annual basis for seven straight months. Lawrence Yun, NAR chief economist, says the housing market's summer slowdown continued in July. 'Contract signings inched backward once again last month, as declines in the South and West weighed down on overall activity,' he said. 'It [is] evident in recent months that many of the most overheated real estate markets–especially those out West–are starting to see a slight decline in home sales and slower price growth. The reason sales are falling off last year's pace is that multiple years of inadequate supply in markets with strong job growth have finally driven up home prices to a point where an increasing number of prospective buyers are unable to afford it.'"