

Economic Update, January 13, 2017
Submitted by Reuben Kyle

Summary: The economic news of the week was largely of continued moderate growth with no real surprises. Perhaps the only development with the potential to change economic conditions is an increase, albeit modest, in inflation. The numbers have not reached a point of concern as the annual rates of increase in import prices and producer prices are still below 2% but both are trending up.

Census Bureau

Tuesday, [Monthly Wholesale Trade: Sales and Inventories](#): In November 2016, sales of merchant wholesalers increased by 0.4% from October and by 3.4% from November 2015. Inventories rose by 1% for the month and by 1.4% from a year earlier. The inventory/sales ratio was 1.32 compared with 1.31 in October and 1.34 in November 2015.

Friday, [Advance Monthly Sales for Retail and Food Services](#): The first report on December 2016 retail and food services sales is of an increase of 0.6% over November and by 4.1% over December 2015. Total sales for calendar 2016 rose by 3.3% from 2015. Leading the increase were sales of Auto & other motor vehicle dealers with a 4.1% increase on \$1 Trillion of sales followed by Food Services & Drinking Places with a 6.0% increase and \$658 billion of sales.

Friday, [Manufacturing and Trade: Inventories and Sales](#): In November 2016, combined sales of distributors and shipments of manufacturers increased by 0.1% from October and by 2.3% from November 2015. Inventories were up by 0.7% for the month and the inventory/sales ratio was 1.38

Bureau of Labor Statistics

Tuesday, [Job Openings and Labor Turnover Survey \(JOLTS\)](#): In November 2016, the number of job openings was 5.5 million, up slightly from the 5.45 million in October but about 320,000 higher than in November 2015. Hires numbered 5.2 million, also up by about 50,000 from the prior month. The quit rate was 2.1%, unchanged for most of 2016.

Thursday, [U.S. Import and Export Price Indexes](#): In December 2016, the U.S. Import Price Index rose by 0.4%, led by a 7.3% increase in the price of fuels. Nonfuel import prices fell by 0.2%. From December 2015 through December 2016, the Import Price Index increased by 1.8%. The U.S. Export Price Index increased by 0.3% in December, prompted by a 0.4% rise in nonagricultural prices. Over the previous 12-month period, the Export Index increased by 1.1%.

Friday, [Producer Price Index \(PPI\)](#): In December 2016, the PPI for final demand for goods and services rose by 0.4% for the month and by 1.6% for the year of 2016. For the month's increase, about 80% was accounted for by increases in the prices of final demand goods, and that was largely due to a 2.6% rise in energy prices. Excluding foods, energy, and trade services, the full index was up by 1.7% in 2016.

U.S. Department of Labor

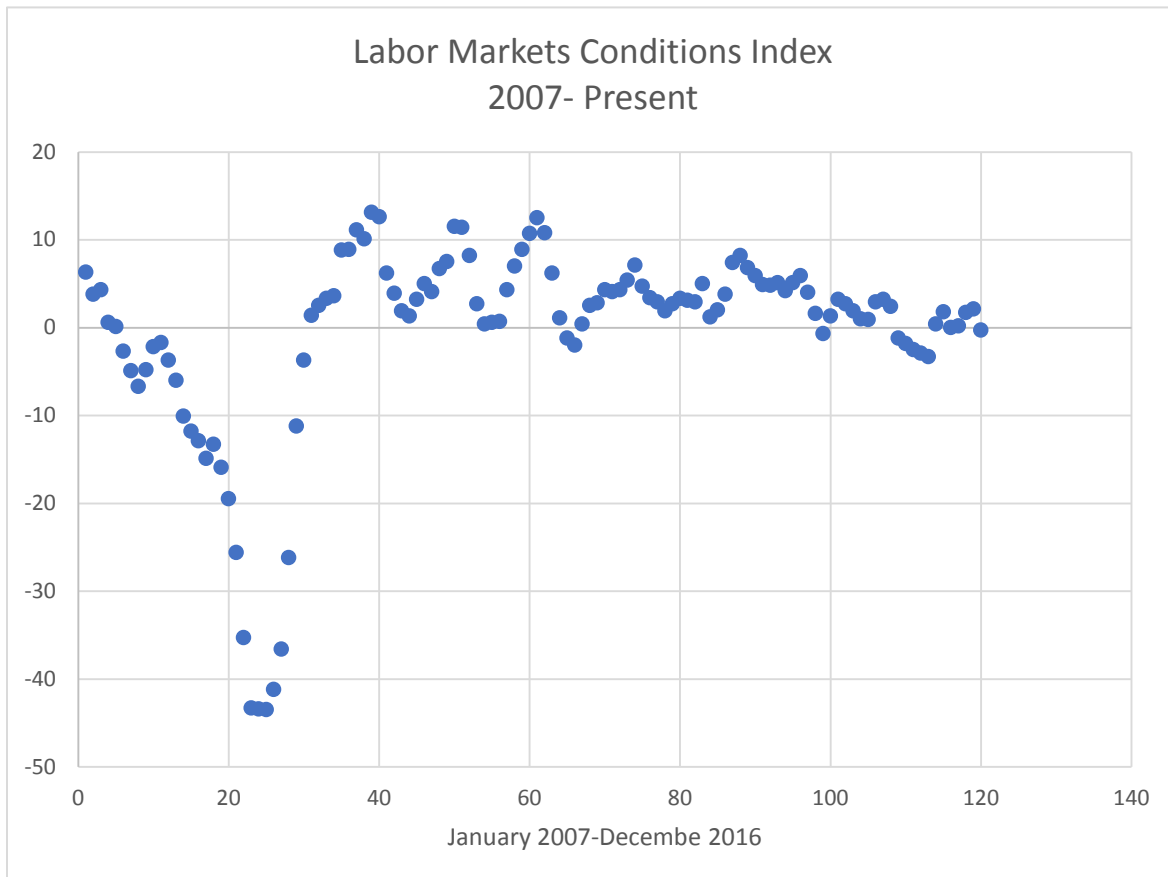
Thursday, [Initial Claims](#): New claims for unemployment insurance in the week ending January 7, 2017, increased by 10,000 to 247,000, and the four-week moving average fell by 1,750 to 256,500. "This marks 97 consecutive weeks of initial claims below 300,000, the longest streak since 1970." In the previous week, ending December 31, 2016, 13 states reported increases in new claims of 1,000 or more and five states reported decreases of 1,000 or more. Tennessee reported a decrease of 463 new claims.

U.S. Department of Transportation

Wednesday, [November 2016 Freight Transportation Services Index](#): The November index was 123.2, up 0.5% from October (2000=100). Since the trough of the recession in April 2009, the index is up by 30.1%. The all-time high for the index was 124.7 in July 2016.

Board of Governors of the Federal Reserve

Monday, Labor Markets Conditions Index: The December 2016 index fell back from 2.1 in November to -0.3. The chart below shows the monthly index since January 2007.



TACIR/MTSU Department of Economic & Finance (Dr. David Penn)

Tuesday, [Tracking Tennessee's Economy](#): The Tennessee Economic Indicators are updated through November 2016. Initial claims averaged 3,163 per week compared with 3,120 in October but still trending down. Building permits for single-family houses have risen by 16.3% over the year. "State sales tax collections fell in November, down by 6.3% from the previous month after seasonal adjustment. Trend collections continue to decline gradually from the peak reached in June. Over the year, state sales tax collections are 1.6% lower for Tennessee. Seven of the ten metropolitan areas experienced declines in collections over the year." Nonfarm employment changed little in November and is up by 1.9% for the year. The unemployment rate was 4.8%. Average weekly hours worked and average hourly earnings both fell slightly in November.

University of Michigan

Friday, [Consumer Sentiment Index](#): The mid-January 2017 index is 98.1 compared with the final December reading of 98.2.

The Wall Street Journal

Thursday, [Economic Forecasting Survey](#): The January 2017 WSJ survey of 76 economic forecasters received replies from 66 individuals or organizations. (Sad to report that for the first time in the many years that I have looked at the results of the survey there was no report from Professor Dewey Daane of Vanderbilt University. He died last week at the age of 98!) The average projected GDP growth

for the 4th quarter of 2016 was 2.1%, and the same rate is projected for Q1 2017. The BEA will release the advance number for Q4 2016 next Friday.) The average forecast for the CPI in December 2016 is 2.0%, rising to 2.4% in June 2017. The projected price of oil for June 2017 is \$54.59 per barrel compared to the actual price in December 2016 of \$53.72. By the end of 2017, the average projected price is \$56.31. The unemployment rate projected for June 2017 is 4.6% and 4.5% by December 2017. The average forecast home price increase for January 2017 is 4.4% whereas the forecast one year earlier was 5.6%. Housing starts are forecast to be 1.26 million for 2017. The average probability of a recession in the next 12 months is 16.5% marking a downtrend in this expectation. More than 64% of respondents said that their projected GDP growth rate could be too low. One third of the survey respondents predict another increase in the fed funds rate in March 2017.

The New York Times

Friday, [Amazon to Add 100,000 Jobs as Bricks-and-Mortar Retail Crumbles](#): Here is an interesting story about the changes in the retail industry. The author cites the early 20th century economist Joseph Schumpeter and his concept of “Creative Destruction.” Schumpeter pointed out that innovations often lead to the demise of one industry as a new one is “born.” In the current case, Amazon is the innovator, along with other Internet-based retailers, and traditional retail stores are being replaced. Readers here have seen how rapidly non-store retail sales have grown while total retail sales have stagnated. This story includes some interesting numbers.