

Economic Update, January 15, 2016

Submitted by Reuben Kyle

Summary: The economic news of the week was pretty tame. The latest retail and manufacturing data were down slightly and initial claims rose, but other labor market measures including job openings were up if only a little, and once again price measures were down. On the other hand, international markets were down with oil prices falling below \$30, and the yield on the 10-year US Treasury bond at 2%. Remember that what the latter measure indicates is that investors are looking for safety by buying those US Treasuries, thus driving the price up and the yield down.

Census Bureau

Friday, [Advance Monthly Sales of Retail and Food Services](#): December 2015 sales of retail and food service providers were 0.1% lower than in November, but total sales for calendar 2015 were up 2.1% over 2014. "Retail trade sales were down 0.2 percent ($\pm 0.5\%$) from November 2015 but up 1.6 percent ($\pm 0.5\%$) from last year. Sporting goods, hobby, book, and music stores were up 7.6% ($\pm 2.1\%$) from December 2014, and non-store retailers were up 7.1 percent ($\pm 1.2\%$) from last year." Sales of food services and drinking places were up 8.1% for the year.

Friday, [Manufacturing and Trade, Inventories and Sales](#): In November 2015, sales by distributive trade and manufacturers' shipments fell 0.2% from October and 2.8% from November 2014. Inventories were down 0.2% for the month but up 1.6% year-over-year. The inventory/sales ratio was 1.38, unchanged from October but up from 1.32 in November 2014.

Bureau of Labor Statistics

Tuesday, [Job Openings and Labor Turnover \(JOLTS\)](#): In November 2015, the number of job openings was 5.4 million, slightly higher than the 5.3 million in October and about 500,000 above November 2014. The number of hires and total separations were close to the figures for October. The quit rate was 2.0%, the same as the previous month.

Thursday, [US Import and Export Price Indexes](#): The December 2015 US Import Price Index fell 1.2%, driven by a 9.5% decline in fuel prices. For all of calendar 2015, the fuel import price index fell 40.5%. Over that period, non-fuel prices fell 3.4%. The US Export Price Index dropped 1.1%. Over the year, the Agricultural Index declined 13.0%, and the Non-Agricultural Index fell 5.9%.

Friday, [Producer Price Index \(PPI\)](#): The PPI for final demand in December 2015 declined 0.2% but rose 0.1% excluding food and energy. The index for goods fell 0.7%, while the index for services rose 0.1%. For calendar 2015, the PPI decreased 1.0%.

US Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance for the week ending January 9, 2015, rose by 7,000 to 284,000 while the four-week moving average increased by 3,000. In the previous week, ending January 2, 16 states, including Tennessee, reported increases of 1,000 or more new claims, and five states reported decreases of 1,000 or more. Tennessee reported an increase of 2,850 but offered no comment.

US Department of Transportation

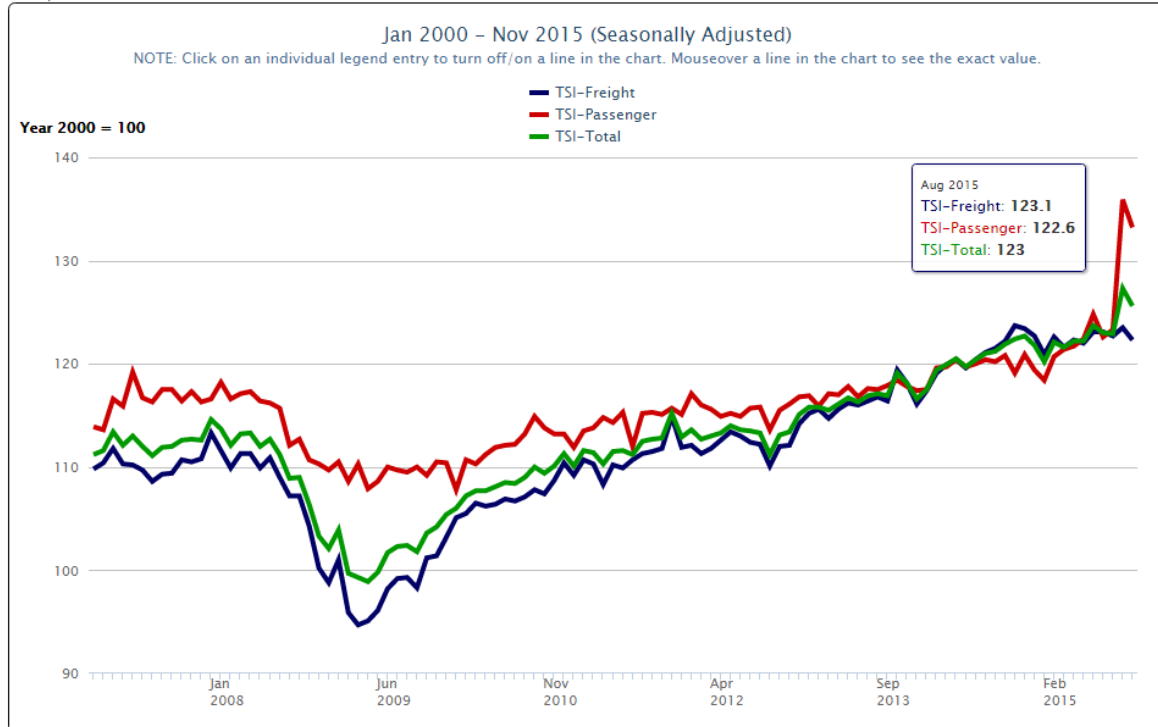
Wednesday, Transportation Services Index: This index is available for earlier periods, but the chart below tracks it since before the recession.

TSI – Monthly Data 2000-present

NOTE: Previous releases with Chain-type Index 1996 = 100 are still available.

The Transportation Services Index (TSI), created by the U.S. Department of Transportation (DOT), Bureau of Transportation Statistics (BTS), measures the movement of freight and passengers. The index, which is seasonally adjusted, combines available data on freight traffic, as well as passenger travel, that have been weighted to yield a monthly measure of transportation services output.

CSV | Table Version



NOTE:

Monthly data changes with each release due to the use of concurrent seasonal analysis, which results in seasonal analysis factors changing as each month's data are added.

SOURCES:

TSI numbers are BTS estimates.

Board of Governors of the Federal Reserve System

Monday, [Labor Market Conditions Index](#): The December 2015 index was 2.9, up slightly from the 2.7 in November but well below the 7.0 in December 2014. To get the complete spreadsheet for this index, click on the link within the link I'm sending you. This index, like The Conference Board's Employment Trends Index, is computed from a composite of several labor market measures not including the latest BLS employment numbers. It is quite volatile and a valuable reminder not to place too much emphasis on any one month's statistic.

Wednesday, [Beige Book](#): Nine of the 12 Federal Reserve Districts reported that economic activity expanded in their regions since the last report. One, Boston, described their economy as "upbeat" while New York and San Francisco described theirs as "flat." In the Sixth District, the Atlanta Federal Reserve Bank, indicated that their contacts "remained largely positive." Retailers said the sales met expectations with holiday sales boosted by an additional day between Thanksgiving and Christmas. Tourism reported record attendance and occupancy. Builders indicated that construction was higher than for the same period in 2014. Manufacturing production and new orders slowed. Transportation, on the other hand, from e-commerce was strong. Labor markets were described as tightening. "For a number of firms, difficulties with attracting and retaining employees were cited as key obstacles to

growth.” In the Eighth District, the St. Louis Federal Reserve Bank, reported economic activity as growing at a “modest pace.” Employment and wage growth was said to be modest. Restraining growth, construction workers were difficult to find. Retail sales were slightly above those in 2014. The majority of auto dealers indicated higher sales than the year before. Manufacturing activity was described as positive with reports of expansion in motor vehicles. Primary metals, steel and aluminum, were declining. Recent flooding of the Mississippi River has temporarily halted barge traffic. November home sales were up 5% year-over-year in Memphis, and residential building permits were up 21% in Memphis.

Friday, [Industrial Production](#): in December 2015, industrial production declined 0.4%, and for the year 2015, it was down 1.8%. The principal sectors pulling production down were mining, down by 0.8% in December and 11.2% for the year, and utilities, which were 2.0% for the month and 6.9% for the year. Manufacturing production fell 0.1% in December but was 0.8% higher for the year. Capacity utilization was 76.5% in December, down 0.4 percentage points. Compared with the long-term average, December capacity utilization is down 3.6 percentage points.

The Conference Board

Monday, [Employment Trends Index](#): In December 2015, this index increased from 128.27 to 129.33 and 2.6% from December 2014. “The Employment Trends Index rebounded sharply in December, nearly erasing November’s entire decline,” said Gad Levanon, Managing Director of Macroeconomic and Labor Market Research at The Conference Board. “However, the slowdown in the ETI growth rate in recent months, combined with weak GDP growth in the fourth quarter, suggests that the pace of job growth is likely to slow in the coming months.” The index is calculated from eight labor-market measures—none being the BLS employment number—and in December, seven of the eight registered “positive contributions.”

Bloomberg.com

Thursday, [Consumer Comfort Index](#): This week’s index is 44.4 up very slightly from the 44.2 last week. “The past month’s sharp advance in views of the national economy foreshadowed last week’s exceptionally strong December jobs report. That said, after three weeks of significant advances—+2.4, +1.5, and +2.5—the economy sub-index is a nonsignificant +1.0 this week. That could reflect last week’s equities rout led by turmoil in the Chinese markets, as well as more muted numbers from this week’s Job Openings and Labor Turnover Survey.”

University of Michigan

Friday, [Consumer Sentiment Index](#): The mid-January 2016 index is 93.3 compared with 92.6 in December 2015 and 98.1 in January 2015.

The Wall Street Journal

Tuesday, [Six Years Later 93% of US Counties Haven’t Recovered From Recession](#): In a report by the National Association of Counties, only 214 of 3,069 counties have fully recovered from the Great Recession. Fully recovered is defined as “returned to prerecession levels of total employment, the unemployment rate, size of the economy and home values by the end of 2015.” In 27 states including Tennessee, No county has reached that level. Among Tennessee’s 95 counties 12 counties have reached prerecession levels on three of the four measures. Sadly, five Tennessee counties had recovered in none of the four measures.

Thursday, [Economic Forecasting Survey](#): In the January survey 78 forecasters were queried and 70 responded. The average forecast for 4th Quarter 2015 GDP growth was 1.4%, while the forecast for

Q1 2016 is 2.44%. The forecast for the Consumer Price Index is up 1.2% in June 2016 and 1.9% in December of this year. Oil prices are forecast to be \$37.30 by June 2016 and \$47.11 by June 2017. (As I write, the price is below \$30 per barrel.) The average forecast for the unemployment rate is 4.8% in June 2016 and 4.7% in December 2016. Employment growth is forecast to be 195,000 jobs in January 2016. Two-thirds of the respondents predict that the Fed will raise the fed funds rate again in March, and the average forecast of that rate by June 2016 is 0.73% and 1.14% by December 2016. The forecast yield on 10-year Treasury bonds for June of this year is 2.54% and more than 3% by June 2017. The average forecast for the increase in housing prices is 4.5% for this month and 3.8% in January 2017. Housing starts are forecast to be 1.27 million in January 2016. Finally, the predicted probability of a recession has edged up to just less than 17%.