

Economic Update, October 6, 2017
Submitted by Reuben Kyle

Summary: Wow! Today's jobs report comes as a surprise, a loss of 33,000 jobs. That number is the result of dislocations by Hurricanes Harvey and Irma with the likely result of more ripples, in the other direction, in this month's statistics. Other than the job loss number, all of the other survey results look very positive. The rest of the week's economic news is upbeat, including a very big jump in motor vehicle sales. The purchasing managers' surveys were both strong.

Census Bureau

Monday, [Construction Spending](#): In August 2017, construction spending increased by 0.5% from July and by 2.5% from August 2016. Private construction spending, including residential spending, was up by 0.4% while Nonresidential Spending rose by 0.5%. Public construction spending increased by 0.7% with educational spending rising by 3.5% from July while highway spending fell by 1.3%.

Tuesday, [Manufacturing Data from the U.S. Census Bureau](#): Some interesting facts about manufacturing in the U.S. Some of the graphics show the importance of manufacturing in the Tennessee economy, particularly transportation equipment.

Thursday, [U.S. International Trade in Goods and Services](#): In August 2017, U.S exports increased by \$0.8 billion, imports fell by \$0.4 billion with the result that the Balance of Trade in Goods and Services deficit declined by \$1.2 billion. Exports of goods alone rose by \$0.9 billion while the surplus in services increased by \$0.3 billion.

Thursday, [Manufacturers' Shipments, Inventories, and Orders](#): In August 2017, new orders for manufactured goods increased by 1.2%, shipments were up by 0.5%, unfilled orders were unchanged, and inventories increased by 0.4%.

Thursday, [Hispanics by the Numbers](#): This link is to a PowerPoint presentation on Census data on Hispanics and on using Census resources to investigate demographic population issues. Remember that the most recent population census was in 2010.

Friday, [Monthly Wholesale Trade](#): In August 2017, the sales of merchant wholesalers were 1.7% higher than in July and 7.2% above those in August 2016. Inventories increased by 0.9%, and the inventory/sales ratio was 1.28, down from 1.29 the month before.

Bureau of Labor Statistics

Friday, [Employment Situation](#): In September 2017, the U.S. economy lost 33,000 jobs, but the unemployment rate fell to 4.2%. "Hurricane Irma made landfall in Florida on September 10—during the reference period for both the establishment and household surveys—causing severe damage in Florida and other parts of the Southeast. Hurricane Harvey made landfall in Texas on August 25—prior to the September reference periods—resulting in severe damage in Texas and other areas of the Gulf Coast. Our analysis suggests that the net effect of these hurricanes was to reduce the estimate of total nonfarm payroll employment for September." The [Household Survey](#), which is a sample survey of 60,000 households, is the source of the unemployment rate. That survey indicates that the labor force grew by 575,000 in September, and the labor force participation rate increased from 62.9% to 63.1%. The number of unemployed persons fell by 331,000, and the number "not in the labor force" declined by 368,000. Unemployment rates for every demographic group fell. Numbers for persons employed part-time for both "economic reasons" and "noneconomic reasons" also declined. All of these statistics point to a thriving economy. The Establishment Survey, which is a sample of "about 147,000 businesses and government agencies, representing approximately 634,000 individual worksites," found that total private employment fell by 40,000 while government employment rose by 7,000. Construction employment increased by 8,000, motor vehicles and parts lost 3,200 jobs, and leisure and hospitality

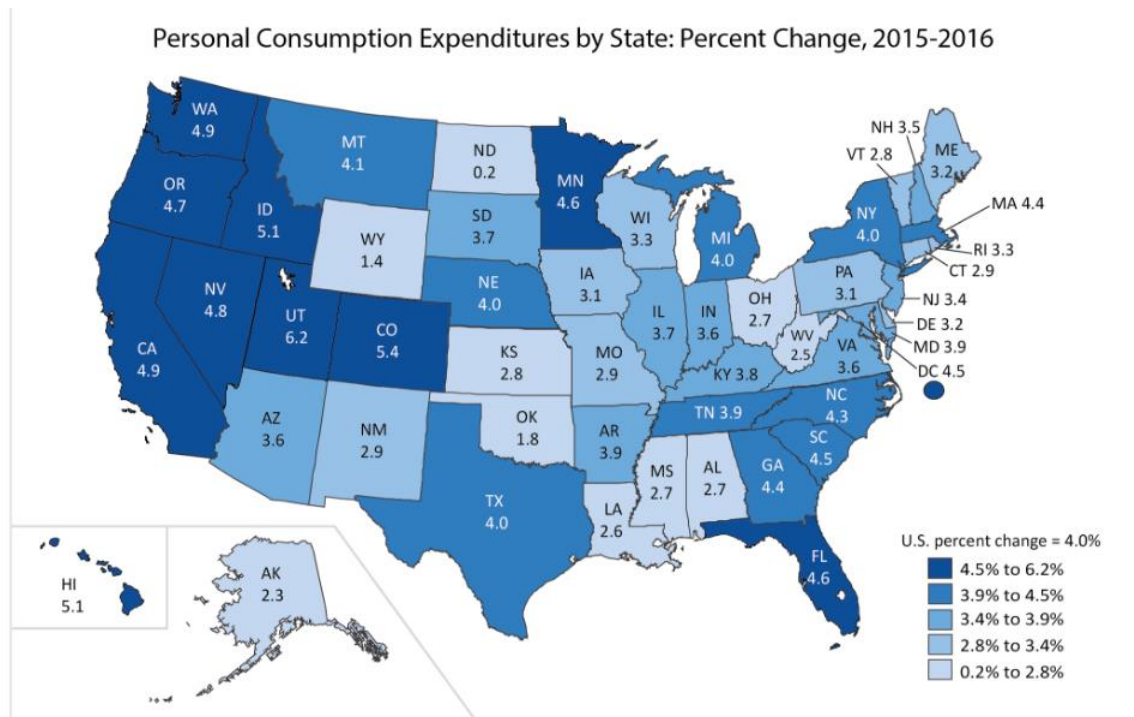
employment fell by 111,000. Average hourly earnings were up by \$0.12 per hour. The two diffusion indexes—total private and manufacturing—were still both above 50%, meaning that employment was growing in more than half those industries in September. So clearly Harvey and Irma had a major impact on the September labor market statistics, and that will likely show up again in October numbers.

ADP.com

Wednesday, [ADP Employment Report](#): Private employment increased by 135,000 in September 2017. Construction gained 29,000, manufacturing was up by 18,000, and professional and business services added 51,000 jobs. On the negative side were trade, transportation, and utilities losing 18,000 and information down 11,000 jobs.

Bureau of Economic Analysis

Wednesday, [Personal Consumption Expenditures by State, 2016](#): State personal consumption expenditures (PCE) increased by an average of 4.0% in 2016, the same rate as in 2015. Tennessee's PCE were up by 3.9% compared with a low of 0.2% in North Dakota and 6.2% in Utah. The map below shows the figures for all states.



U.S. Bureau of Economic Analysis

U.S. Department of Labor

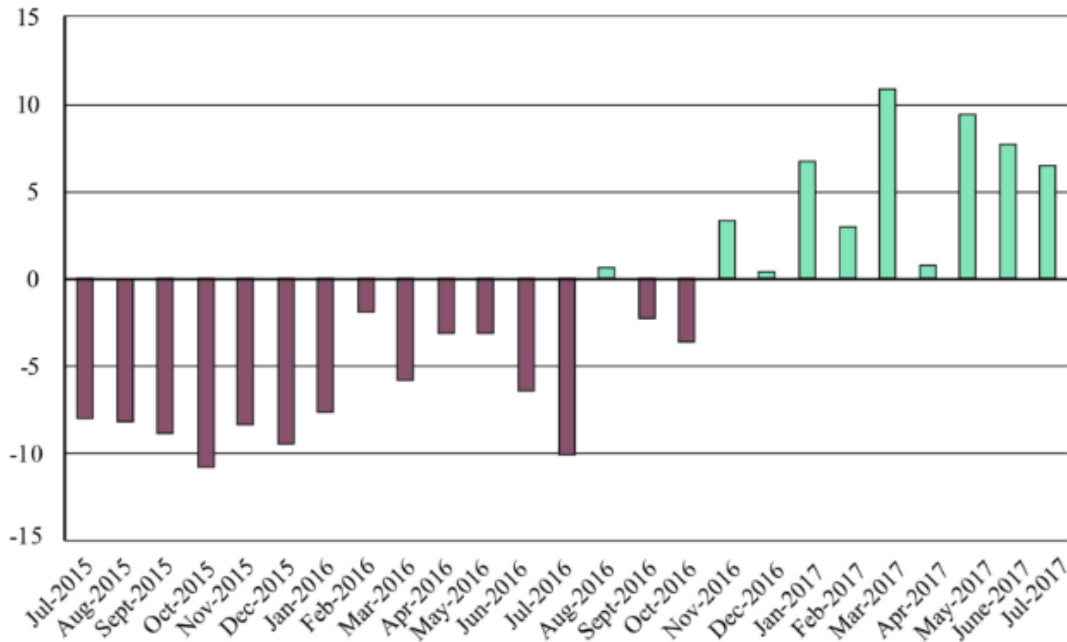
Thursday, [Initial Claims](#): In the final report of September 2017, initial claims fell by 12,000 to 260,000 while the four-week moving average dropped 9,500 to 268,250. The numbers continue to reflect the impact of the hurricanes. Five states—including Florida—reported increases of 1,000 or more new claims in the week ending September 23, and three states—including Texas— reported decreases of 1,000 or more. Tennessee reported one fewer initial claim than in the week before.

U.S. Department of Transportation

Wednesday, [July 2017 North American Freight Numbers](#): "U.S.-NAFTA freight totaled \$89.2 billion as all five major transportation modes carried more freight by value with North American Free Trade Agreement (NAFTA) partners Canada and Mexico in July 2017 compared to July 2016..." This

increase amounted to a 6.5% increase from July 2016. Shipments rose by all transportation modes, with the largest being by vessel. The chart below shows the changes in the value of freight movements by month since July 2015.

Figure 1. U.S.-NAFTA Freight Value Percent Change from Previous Year (Last 24 months)



SOURCE: Bureau of Transportation Statistics, TransBorder Freight Data

TACIR/MTSU Tracking Tennessee’s Economy

Thursday, [Economic Indicators](#): Dr. David Penn of the MTSU Economics & Finance Department reports that the state economic indicators have been updated through August 2017. He writes: “Tennessee job growth stabilized in August but growth of taxable sales activity has moderated. Housing construction perked up and remains robust over the year. Initial claims for unemployment insurance climbed, but the unemployment rate dipped due to new job creation.” Remember that these statistics are also available for each of the 10 MSAs in the state.

Institute for Supply Management (ISM)

Monday, [September 2017 Manufacturing ISM Report on Business](#): The September index reading is 60.8%, up two percentage points from 58.8% in August, marking the 13th consecutive month of expansion in the manufacturing sector and the 100th consecutive month of expansion by the overall economy. Seventeen of the 18 manufacturing industry sectors surveyed reported expanding. Only one, Furniture & Related Products, reported contracting. Below are a few of respondents’ comments.

- "Hurricanes causing supply chain and pricing issues." (Chemical Products)
- "Business levels continue [to be] strong; usually by now, a seasonal downturn begins." (Machinery)
- "Energy sector (oil and gas) continues to be strong. Price of oil appears to be beginning to stabilize." (Computer & Electronic Products)
- "We’ve had a very good year and we are forecasting continued strong demand for our product in 2018." (Miscellaneous Manufacturing)

Wednesday, [September 2017 Non-Manufacturing ISM Report on Business](#): The non-manufacturing index was 59.8%, an increase of 4.5 percentage points from the August level of 55.3%. “This is the highest reading since August 2005 when the index registered 61.3 percent.” It marks the 93rd consecutive month of expansion by this sector of the U.S. economy. Of the 18 industry sectors surveyed, 115 reported expanding and two reported contracting. Below, the table gives the details for both surveys.

ISM® NON-MANUFACTURING SURVEY RESULTS AT A GLANCE									
COMPARISON OF ISM® NON-MANUFACTURING AND ISM® MANUFACTURING SURVEYS*									
SEPTEMBER 2017									
	Non-Manufacturing						Manufacturing		
Index	Series Index Sep	Series Index Aug	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Sep	Series Index Aug	Percent Point Change
NMI®/PMI®	59.8	55.3	+4.5	Growing	Faster	93	60.8	58.8	+2.0
Business Activity/Production	61.3	57.5	+3.8	Growing	Faster	98	62.2	61.0	+1.2
New Orders	63.0	57.1	+5.9	Growing	Faster	98	64.6	60.3	+4.3
Employment	56.8	56.2	+0.6	Growing	Faster	43	60.3	59.9	+0.4
Supplier Deliveries	58.0	50.5	+7.5	Slowing	Faster	21	64.4	57.1	+7.3
Inventories	51.5	53.5	-2.0	Growing	Slower	6	52.5	55.5	-3.0
Prices	66.3	57.9	+8.4	Increasing	Faster	4	71.5	62.0	+9.5
Backlog of Orders	56.0	53.5	+2.5	Growing	Faster	8	58.0	57.5	+0.5
New Export Orders	56.0	55.0	+1.0	Growing	Faster	8	57.0	55.5	+1.5
Imports	52.0	50.5	+1.5	Growing	Faster	4	54.0	54.5	-0.5
Inventory Sentiment	58.5	61.0	-2.5	Too High	Slower	244	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	42.0	41.0	+1.0
Overall Economy				Growing	Faster	98			
Non-Manufacturing Sector				Growing	Faster	93			

* **Non-Manufacturing ISM® Report On Business®** data is seasonally adjusted for the Business Activity, New Orders, Prices and Employment Indexes. **Manufacturing ISM® Report On Business®** data is seasonally adjusted for New Orders, Production, Employment and Supplier Deliveries.

** Number of months moving in current direction.

HIS Markit Economics

Monday, [U.S. Manufacturing Purchasing Managers' Index \(PMI\)](#): The September 2017 index was 53.1 up from 52.8 in August. Chief Markit Business Economist Chris Williamson writes: “While the headline PMI remained resiliently elevated in September, despite disruption from hurricanes Harvey and

Irma, the details of the survey are more worrying. Output growth was unchanged on August's 14-month low, and translates into stagnation at best in terms of the official manufacturing output data. Firms' expectations of future output growth also slipped to a four-month low.... There was better news on the hiring front, with job creation perking up to a nine-month high. However, with employment rising faster than output, productivity may be slipping."

Wednesday, [U.S. Services PMI](#): For September 2017, this index dropped slightly from 56.0 in August to 55.3. "This indicated a strong end to the third quarter, and the fastest average quarterly growth so far this year." Chris Williamson states: "Given the disruption caused by recent hurricanes, some pull-back in business activity was understandable, so the resilient reading of the September services PMI makes for encouraging reading. "Looked at alongside the manufacturing PMI, the survey data point to GDP rising at an annualised rate of just over 2% in the third quarter. Growth is largely reliant on the services economy, however, as manufacturing lags behind, struggling in part due to the strong dollar."

Autodata.com

Tuesday, [Motor Vehicle Sales](#): In September 2017, we had a huge rebound in light vehicle sales from 16.14 million units in August to 18.57 million, measured as a seasonally adjusted, annual rate. "It is [the highest SAAR](#) since the 20.64 million rate recorded in July 2005 behind employee-style discounts." This jump in sales is likely, in part, due to replacements of vehicles lost in the hurricanes, Harvey and Irma. Tennessee assemblers experienced mixed results. General Motors' car sales were actually 11.4% below those of September 2016, though truck sales were up by 21.9%. [GM had already announced](#) a layoff of 680 workers at its Spring Hill, Tennessee plant and the elimination of its third shift at that facility. Similarly, Nissan's car sales were down 4.1% from a year earlier while its truck sales were up by 23.5%. Volkswagen, on the other hand, had a 33.2% [increase](#) in car sales and its year-to-date sales are up by 9.2%.

Gallup.com

Tuesday, [U.S. Economic Confidence Index](#): In September 2017, the confidence index slipped from +6 to +4. "Even if Americans' overall confidence in the economy has stagnated recently, confidence nonetheless remains notably higher compared with any month between 2008 and November 2016. In particular, Americans' ratings of current economic conditions have remained at or near post-recession highs virtually all year, including last month. Moreover, the current conditions component has averaged +10 or higher every month this year, a level it had never hit in the nine years prior. The component was either positive or non-negative in only a handful of months during that period."

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading is 49.9, down from 51.6 the previous week.