

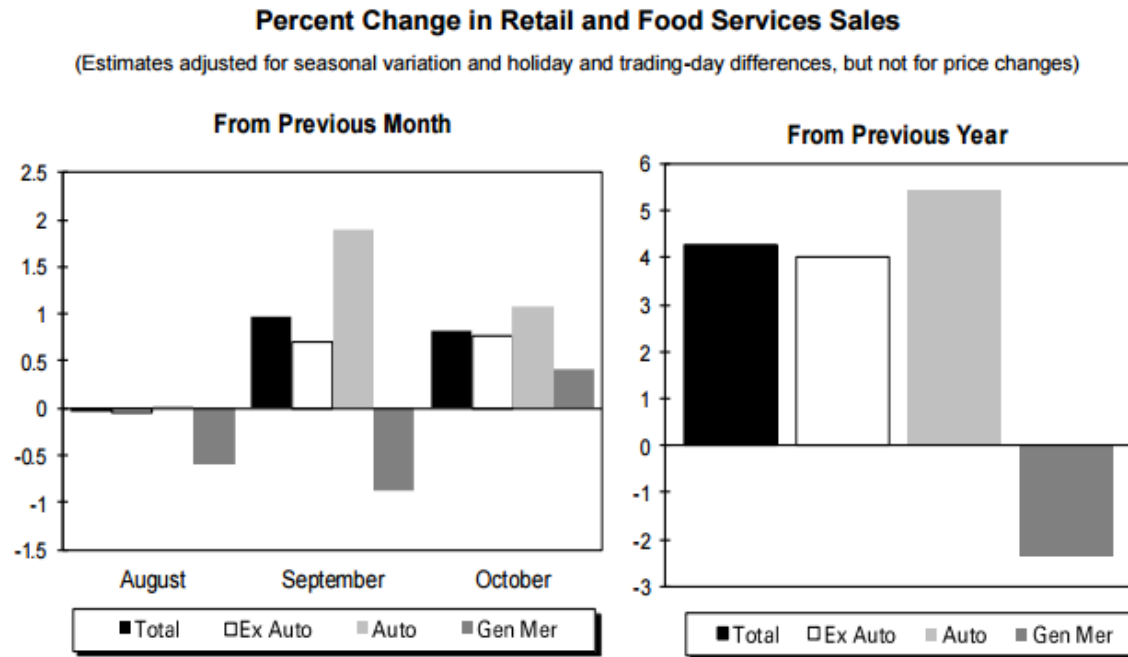
Summary: The economic news of the week, again, is largely positive. Retail sales and manufacturers' shipments increased, housing construction was very strong, and initial claims were at the lowest level since 1973. There might be some upticks in prices, but there is still no inflation in sight.

Dr. Ratajczak's [Weekly Commentary](#)

Monday: Dr. R begins his weekly commentary with a brief survey of likely policy changes in the Trump administration. (He says that he will have a thorough discussion of such policies in his [Monthly Summary](#).) The bottom line is that he predicts faster growth in the second half of 2017 and through 2018 but more inflation and higher interest rates. Ratajczak's estimate for 4th quarter GDP growth is still at 2.6%, despite an Atlanta Fed estimate of 3.1%. His analysis of last week's JOLTS—Job Openings and Labor Turnover Survey—leads him to anticipate some higher wage growth as employers have openings but cannot hire qualified people.

Census Bureau

Tuesday, [Advance Monthly Sales for Retail and Food Services](#): The preliminary report for October 2016 on sales by retail and food service providers was an increase of 0.8% and 4.3% higher than in October 2015. Retail sales rose by 4.3% and non-store retail sales were up by 12.9%, both compared with October a year earlier. The chart below give some further detail.



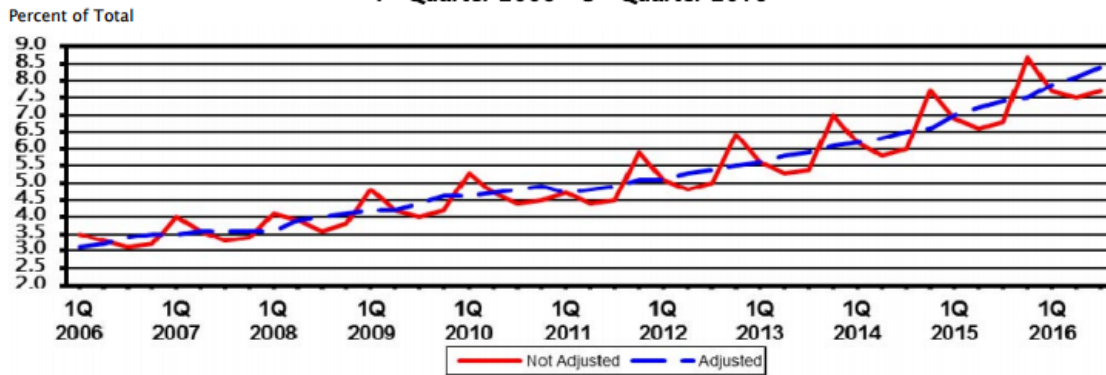
Tuesday, [Manufacturing and Trade: Inventories and Sales](#): In September 2016, combined sales by distributive trade providers and shipments by manufacturers were up by 0.7% from August and by 0.8% from September 2015. Inventories increased by 0.1% for the month and by 0.6% from September 2015. The inventory/sales ratio was 1.38 compared with 1.39 in August of this year and September the previous year.

Thursday, [New Residential Construction](#): In October 2016, the number of building permits issued increased by 0.3% over September and by 4.6% above the number in October 2015. Housing starts rose by 25.5% for the month and by 23.3% over a year earlier. Housing completions also were up,

by 5.5% from September and by 7.02% from October a year ago. In each category, single-family housing increased from the September figures.

Thursday, [Quarterly Retail E-Commerce Sales](#): In the 3rd quarter of 2016, retail e-commerce sales were 4.0% higher than in Q2 2016 compared with an increase of 0.9% in total retail sales in the same period. Year-over-year retail e-commerce sales were up by 15.7% while total retail sales rose by 2.2%. The chart below shows the seasonally adjusted sale and the unadjusted quarterly e-commerce sales since Q1 2006. The blue line shows what mathematicians called a monotonic function, i.e., a non-decreasing progression.

**Estimated Quarterly U.S. Retail E-commerce Sales as a Percent of Total Quarterly Retail Sales:
1st Quarter 2006 – 3rd Quarter 2016**



Bureau of Labor Statistics

Tuesday, [U.S. Import and Export Price Indexes](#): In October 2016, the Import Price Index rose by 0.5% from September led by a 7.2% increase in the price of fuel imports. The fuel price increase was in contrast to the 0.1% decrease in the index for nonfuel imports. The Export Price Index was up by 0.2% with both agricultural exports and nonagricultural export indexes rising. Over the past 12-month period the Import Price Index is down by 0.2% and the Export Price Index is 1.1% lower.

Wednesday, [Producer Price Index \(PPI\)](#): In October 2016, the PPI for final demand was unchanged from September. The index for final goods demand rose by 0.4% while the index for final services fell by 0.3%. Excluding food, energy, and trade services the total PPI fell by 0.1% for the month. Over the 12-month period October 2015 through October 2016, in total index is up by 0.8% and excluding foods, energy, and trade services it is up by 1.6%.

Thursday, [Consumer Price Index \(CPI\)](#): In October 2016, the All Urban Consumers CPI increased by 0.4% from September and by 1.6% since October 2015. The principal areas pushing the index up were fuel and shelter price. In total, energy prices increased by 3.5% with gasoline prices up by 7.1%. The index for shelter rose by 0.4%. Excluding food and energy the CPI increased by 0.1% and by 2.1% over the past 12-month period.

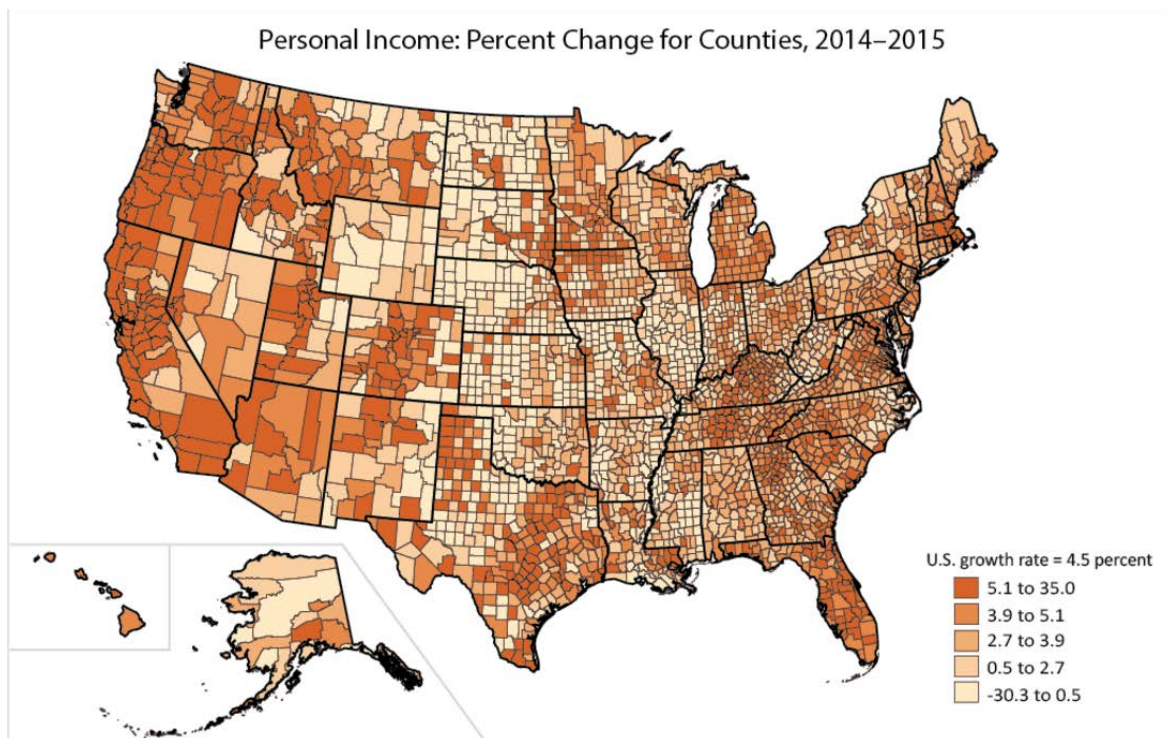
Thursday, [Real Earnings](#): Real average hourly earnings increased by 0.1% in October 2016 as nominal average hourly earnings rose by 0.4% just offsetting the 0.4% increase in the CPI. From October 2015 through October 2016, real average hourly earnings have risen by 1.2%. In the case of production and non-supervisory workers, the increase in real average hourly earnings was 0.2% and year-over-year that increase was 1.0%.

Friday, [Regional and State Employment and Unemployment](#): Unemployment rates were significantly lower in seven states in October 2016, higher in two states, and statistically unchanged in 41 states and the District of Columbia. At 2.8%, New Hampshire and South Dakota have the lowest

unemployment rates in the country while Alaska has the highest rate at 6.8%. [Tennessee's](#) unemployment rate in October was 4.8% up from 4.6% in September. (Tennessee's rate is still below the national unemployment rate of 4.9%.) Total nonfarm employment increased significantly in 11 states, fell in five states, and was statistically unchanged in 39. Tennessee added 7,500 jobs in October, a statistically significant, 0.3 percentage point, increase. Sectors with the largest gains were Leisure/Hospitality, Professional/Business Services, and Government.

Bureau of Economic Analysis

Thursday, [Local Area Personal Income, 2015](#): In 2015, personal income increased in 2,552 of the 3113 U.S. counties, fell in 548, and was unchanged from 2014 in 13. For the nation, personal income increased by 4.7%. "Personal income growth in 2015 ranged from -30.3 percent in Sully County, South Dakota to 35.0 percent in Loving County, Texas." The map below shows the changes over the period 2014-2015.



U.S. Bureau of Economic Analysis

In Tennessee, personal income increased by 4.6% from 2014 to 2015 with Davidson County having the highest percentage increase at 7.5%, followed by Williamson County and Johnson County, both at 6.7%, and then by DeKalb County at 6.6%.

U.S. Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance fell by 19,000 to 235,000 for the week ending November 12, 2016 while the four-week moving average fell by 6,500 to 235,500. The 235,000 was the lowest total for initial claims since November 24, 1973. The four-week average for the number of insured unemployed was 2,022,500 the lowest level since June 17, 2000. For the week ending November 5, nine states reported increases in initial claims of 1,000 or more and two states reported decreases of 1,000 or more. Tennessee reported 161 more new claims.

Board of Governors of the Federal Reserve System

Wednesday, [Industrial Production](#): In October 2016, industrial production was unchanged from September but down by 0.9% over the previous 12 months. Construction was up by 0.6% in October and manufacturing was up by 0.2%. “The index for utilities dropped 2.6 percent, as warmer-than-normal temperatures reduced the demand for heating.” Capacity utilization fell by 0.1 percentage points but it is 0.3 percentage points higher than in October 2015. At 75.3 this index is below the average of 80.0 for the years 1972-2015.

The Conference Board

Friday, [Leading Economic Indicators](#) (LEI): In October 2016, the LEI increased by 0.1%, to 124.5 (2010 = 100). Ataman Ozyildirim, Director of Business Cycles and Growth Research at The Conference Board is quoted: “The U.S. LEI increased in October for a second consecutive month. Although its six-month growth rate has moderated, the index still suggests that the economy will continue expanding into early 2017... The interest rate spread and average weekly hours were the main drivers of October’s improvement, helping to offset some of the weaknesses in claims for unemployment insurance and new orders.” The Coincident Economic Index increased by 0.1%.

National Association of Home Builders

Wednesday, [Housing Market Index](#): This index measures builders’ confidence and in November 2016 was unchanged from October at 63. According to NAHB Chief Economist Robert Dietz : “Ongoing job creation, rising incomes and attractive mortgage rates are supporting demand in the single-family housing sector. This will help keep housing on a steady, upward glide path in the months ahead”.

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading was 45.4 up from 45.1 the previous week. This most recent index level was the highest since April 2015. “The CCI, based on a four-week rolling average of Americans’ economic views, rose sharply three weeks ago and incrementally in each week since, adding up to a 4.1- point rally to 45.4 on its 0-100 scale.” (Sorry to report that beginning in January this index will no longer be available — for free that is, after that there will be an annual fee of \$1,750 which exceeds my budget by \$1,750.)