

Economic Update, November 3, 2017
Submitted by Michael Mount

Summary:

The Federal Reserve left its target for the federal funds rate unchanged, but [economists think it will increase the rate in December](#). Also, Jerome Powell was nominated to be the Fed's next chairman.

And the Nashville-Davidson—Murfreesboro—Franklin metropolitan area had the largest year-over-year percentage increase in employment in September 2017 compared to other large metro areas—those with at least one million people according to the 2010 Census. As for decreases in employment, check out the Challenger Job-Cut Report. This monthly report is based on mass layoff data from state departments of labor.

Census Bureau

Tuesday, [Housing Vacancies and Ownership](#): “National vacancy rates in the third quarter 2017 were 7.5 percent for rental housing and 1.6 percent for homeowner housing. The rental vacancy rate of 7.5 percent was 0.7 percentage points higher than the rate in the third quarter 2016 (6.8 percent) and not statistically different from the rate in the second quarter 2017 (7.3 percent). The homeowner vacancy rate of 1.6 percent was 0.2 percentage points lower than the rate in the third quarter 2016 (1.8 percent) and not statistically different from the rate in the second quarter 2017 (1.5 percent). The homeownership rate of 63.9 percent was not statistically different from the rates in the third quarter 2016 (63.5 percent) or the second quarter 2017 (63.7 percent).”

Wednesday, [Construction Spending](#): “Construction spending during September 2017 was estimated at a seasonally adjusted annual rate of \$1,219.5 billion, 0.3 percent above the revised August estimate of \$1,216.0 billion. The September figure is 2.0 percent above the September 2016 estimate of \$1,195.6 billion. During the first 9 months of this year, construction spending amounted to \$917.0 billion, 4.3 percent above the \$879.6 billion for the same period in 2016.”

Friday, [Manufacturing Shipments, Inventories, and Orders](#): “New orders for manufactured goods in September, up three of the last four months, increased \$6.5 billion or 1.4 percent to \$478.5 billion. This followed a 1.2 percent August increase. Shipments, up nine of the last ten months, increased \$3.9 billion or 0.8 percent to \$480.4 billion. This followed a 0.6 percent August increase. Unfilled orders, up following two consecutive monthly decreases, increased \$2.7 billion or 0.2 percent to \$1,135.0 billion.”

Friday, [US International Trade in Goods and Services](#): “The goods and services deficit was \$43.5 billion in September, up \$0.7 billion from \$42.8 billion in August. September exports were \$196.8 billion, \$2.1 billion more than August exports. September imports were \$240.3 billion, \$2.8 billion more than August imports.”

Challenger, Gray & Christmas, Inc.

Thursday, [Job-Cut Report](#): “U.S.-based employers announced 29,831 job cuts in October, down 3 percent from the same month last year, when 30,740 job cuts were announced. . . . So far this year, 351,309 job cuts have been announced, 24.6 percent fewer than the 466,352 cuts announced through October 2016. This is the lowest ten-month total since 1997.” For Tennessee, 915 jobs were cut in October and 4,795 in 2017. You can see from the following table that, on average, more jobs are cut from October to March than in the warmer months.

**CHALLENGER, GRAY & CHRISTMAS, INC.
JOB-CUT ANNOUNCEMENT REPORT**

QUARTER BY QUARTER

	Q1	Q2	Q3	Q4	TOTAL
1989	9,850	10,100	24,085	67,250	111,285
1990	107,052	87,686	49,104	72,205	316,047
1991	110,056	76,622	147,507	221,107	555,292
1992*	110,815	85,486	151,849	151,850	500,000
1993	170,615	84,263	194,486	165,822	615,186
1994	192,572	107,421	117,706	98,370	516,069
1995	97,716	114,583	89,718	137,865	439,882
1996	168,695	101,818	91,784	114,850	477,147
1997	134,257	51,309	95,930	152,854	434,350
1998	139,140	131,303	161,013	246,339	677,795
1999	210,521	173,027	173,181	118,403	675,132
2000	141,853	81,568	168,875	221,664	613,960
2001	406,806	370,556	594,326	585,188	1,956,876
2002	478,905	292,393	269,090	426,435	1,466,823
2003	355,795	274,737	241,548	364,346	1,236,426
2004	262,840	209,895	251,585	315,415	1,039,735
2005	287,134	251,140	245,378	288,402	1,072,054
2006	255,878	180,580	202,771	200,593	839,822
2007	195,986	197,513	194,095	180,670	768,264
2008	200,656	275,292	287,142	460,903	1,223,993
2009	562,510	318,165	240,233	151,122	1,272,030
2010	181,183	116,494	113,595	118,701	529,973
2011	130,749	115,057	233,258	127,018	606,082
2012	143,094	139,997	102,910	137,361	523,362
2013	145,041	113,891	128,452	121,667	509,051
2014	121,341	124,693	117,374	119,763	483,171
2015	140,214	147,458	205,759	105,079	598,510
2016	180,920	132,834	121,858	91,303	526,915
2017	126,201	100,799	94,478		220,679
AVG	198,910	154,023	176,176	200,423	

**Estimate based on half-year total. Challenger began tracking job-cut data in 1993. Before that, it was tabulated by an independent newsletter no longer published.*

Bureau of Labor Statistics

Tuesday, [Employment Cost Index](#): Compensation costs for civilian workers increased 0.7%, seasonally adjusted, for the 3-month period ending in September 2017. Compensation costs for private industry workers increased 2.5% over the year compared with 2.4% for state and local government workers. Employer costs for health benefits for private industry workers increased 1.1% for the 12-month period ending in September 2017.

Wednesday, [Metropolitan Area Employment and Unemployment](#): “Unemployment rates were lower in September than a year earlier in 345 of the 388 metropolitan areas, higher in 33 areas, and unchanged in 10 areas. Sixty-four 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 309 metropolitan areas, decreased in 72 areas, and was unchanged in 7 areas. The national unemployment rate in September was 4.1 percent, not seasonally adjusted, down from 4.8 percent a year earlier. . . . Over the year, nonfarm employment rose in 47 of the 51 metropolitan areas with a 2010 Census population of 1 million or more and fell in 4. The largest over-the-year percentage increases in employment in these large metropolitan areas occurred in Nashville-Davidson--Murfreesboro--Franklin, TN (+3.1 percent), Raleigh, NC (+2.9 percent), and Dallas-Fort Worth-Arlington, TX (+2.7 percent).”

Thursday, [Productivity and Costs](#): “Nonfarm business sector labor productivity increased 3.0 percent during the third quarter of 2017 as output increased 3.8 percent and hours worked increased 0.8 percent. From the third quarter of 2016 to the third quarter of 2017, productivity increased 1.5 percent, reflecting a 2.9-percent increase in output and a 1.4-percent increase in hours worked.”

Friday, [Employment Situation](#): “Total nonfarm payroll employment rose by 261,000 in October, and the unemployment rate edged down to 4.1 percent. Employment in food services and drinking places increased sharply, mostly offsetting a decline in September that largely reflected the impact of Hurricanes Irma and Harvey. In October, job gains also occurred in professional and business services, manufacturing, and health care.”

U.S. Department of Labor

Thursday, [Initial Claims](#): “In the week ending October 28, the advance figure for seasonally adjusted initial claims was 229,000, a decrease of 5,000 from the previous week's revised level. The previous week's level was revised up by 1,000 from 233,000 to 234,000. The 4-week moving average was 232,500, a decrease of 7,250 from the previous week's revised average. This is the lowest level for this average since April 7, 1973, when it was 232,250. The previous week's average was revised up by 250 from 239,500 to 239,750.”

ADP.com

Wednesday, [ADP Employment Report](#): Private sector employment increased by 235,000 jobs from September to October. “The job market remains healthy and hiring bounced back with one of the best performances we’ve seen all year,” said Ahu Yildirmaz, vice president and co-head of the ADP Research Institute. “Although the service providing sector was hard hit last month due to the weather, we saw significant growth in professional services, especially in the higher paid professional technical jobs. Additionally, small businesses rebounded well from the impact of Hurricanes Harvey and Irma, posting very strong gains.” Mark Zandi, chief economist of Moody’s Analytics, said, “The job market rebounded strongly from the hit it took from Hurricanes Harvey and Irma. Resurgence in construction jobs shows the rebuilding is already in full swing. Looking through the hurricane-created volatility, job growth is robust.”

Bureau of Economic Analysis

Monday, [Personal Income and Outlays](#): “Personal income increased \$66.9 billion (0.4 percent) in September. Disposable personal income (DPI) increased \$53.0 billion (0.4 percent), and personal consumption expenditures (PCE) increased \$136.0 billion (1.0 percent). . . . The \$76.0 billion increase in real PCE in September reflected an increase of \$59.1 billion in spending for goods and a \$21.6 billion increase in spending for services. Within goods, new motor vehicles was the leading contributor to the increase. Within services, the largest contributor to the increase was spending for household utilities. . . . Personal outlays increased \$132.5 billion in September. Personal saving was \$441.9 billion in September and the personal saving rate, personal saving as a percentage of disposable personal income, was 3.1 percent.” [That’s low.](#)

Federal Reserve

Wednesday, [FOMC Meeting Announcement](#): “In view of realized and expected labor market conditions and inflation, the Committee decided to maintain the target range for the federal funds rate at 1 to 1-1/4 percent. The stance of monetary policy remains accommodative, thereby supporting some further strengthening in labor market conditions and a sustained return to 2 percent inflation.”

Thursday, [Press Release](#): Federal Reserve Board Governor Jerome H. Powell was nominated to succeed Janet Yellen as Chairman of the Federal Reserve Board of Governors. Powell said: “In the years since the global financial crisis ended, our economy has made substantial progress toward full recovery. By many measures we are close to full employment, and inflation has gradually moved up toward our target. Our financial system is without doubt far stronger and more resilient than it was before the crisis. Our banks have much higher capital and liquidity, are more aware of the risks they run, and are better able to manage those risks. While post-crisis improvements in regulation and supervision have helped us to achieve these gains, I will continue to work with my colleagues to ensure that the Federal Reserve remains vigilant and prepared to respond to changes in markets and evolving risks.”

Institute for Supply Management (ISM)

Wednesday, [Manufacturing Index](#): “The October PMI registered 58.7 percent, a decrease of 2.1 percentage points from the September reading of 60.8 percent. . . . What Respondents Are Saying

- ‘Raw material costs on the rise, but purchasing operation has navigated shortages caused by hurricanes.’ (Chemical Products)
- ‘Incoming orders are strong, mainly due to recovery efforts in the wake of Hurricanes Harvey and Irma. Backlogs are up due to operating inefficiencies.’ (Machinery)
- ‘Hurricanes have caused shortages in the resin market, resulting in price increases, inventory constraints and increased lead times.’ (Computer & Electronic Products)
- ‘Ongoing market growth. Minimal impact expected from hurricanes so far in this season.’ (Miscellaneous Manufacturing)
- ‘Business seems to be a bit depressed due to the storms last month but is picking back up.’ (Fabricated Metal Products)
- ‘Business continues to be better than expected.’ (Transportation Equipment)
- ‘Business is good. Supplier deliveries have extended. Things are really picking up.’ (Food, Beverage & Tobacco Products)
- ‘Our plants are sold out for 2017—we can’t take any new orders.’ (Nonmetallic Mineral Products)
- ‘In plastics processing, Hurricane Harvey is the reason for every price increase being announced—and virtually all suppliers are announcing price increases.’ (Plastics & Rubber Products)”

Friday, [Non-Manufacturing Index](#): “The NMI registered 60.1 percent, which is 0.3 percentage point higher than the September reading of 59.8 percent. This represents continued growth in the non-manufacturing sector at a slightly faster rate. This is the highest NMI reading since the index’s debut in 2008. . . . What Respondents Are Saying

- ‘Increasing commodity pricing along with rising construction cost is a concern in [the] quarter ahead.’ (Accommodation & Food Services)
- ‘Business is strong, driven by large upticks in business from clients in the retail industry. Seasonal surge is starting out stronger than in a normal year.’ (Management of Companies & Support Services)
- ‘The current hurricane damage will result in a shortage of some building materials and draw labor forces away from our area.’ (Construction)
- ‘Positive trends continue. Business activity/results good. Revenue and net profit are above plan.’ (Finance & Insurance)
- ‘We continue to struggle with the ‘unknowns’ around Obamacare, and its impacts on our health care and insurance businesses.’ (Health Care & Social Assistance)
- ‘Business activity with oil companies remains flat. Oil field services, midstream, downstream and petrochemical sectors remain strong.’ (Professional, Scientific & Technical Services)
- ‘Business levels increased due to hurricane recovery efforts.’ (Real Estate, Rental & Leasing)
- ‘Outlook is favorable. Labor is in short supply and is constraining growth.’ (Wholesale Trade)
- ‘Uptick based on replacement vehicle activity in hurricane-impacted areas of Texas and Florida.’ (Retail Trade)”

IHS Markit Economics

Wednesday, [US Manufacturing Purchasing Managers’ Index \(PMI\)](#): The index “registered 54.6 in October, up from 53.1 in September. The latest index figure indicated a solid improvement in manufacturing operating conditions that was the fastest seen since the start of the year.”

Friday, [US Services PMI](#): The index “registered 55.3 in October, unchanged from that seen in September. The latest index figure indicated a strong increase in overall business activity across the US service sector. Moreover, the rate of expansion was slightly faster than the long-run series average. Anecdotal evidence linked the rise in output to robust client demand and more favorable business conditions.”

Autodata.com

Wednesday, [Motor Vehicle Sales \(see "New Vehicle Sales" link for spreadsheet with data\)](#): US light vehicle sales were 1,354,975 in October 2017, 1.3% less than in October 2016. For that period, GM was down 2.3%, Nissan was up 8.4%, and Volkswagen was up 10.7%.

Bloomberg

Thursday, [Consumer Comfort Index](#): “U.S. consumer comfort advanced to a seven-week high as Americans’ confidence in their personal finances increased by the most since February, Bloomberg Consumer Comfort Index figures showed Thursday. The surge in sentiment about personal finances to a five-month high probably reflects stock prices that keep hitting records, a drop in gasoline prices since a September peak, and higher property values. Comfort among respondents who are homeowners advanced last week to the strongest level in almost 17 years. While the main comfort index remains

below the 16-year-high it reached just before hurricanes Harvey and Hurricane Irma, all three sub-indexes are above their long-term averages and indicate consumer spending—about 70 percent of the U.S. economy—should continue to contribute to growth.”

The Conference Board

Tuesday, [Consumer Confidence Index](#): Confidence increased to its highest level in almost 17 years. The index, “which had improved marginally in September, increased again in October. The Index now stands at 125.9 (1985=100), up from 120.6 in September. The Present Situation Index increased from 146.9 to 151.1, while the Expectations Index rose from 103.0 last month to 109.1.”

National Association of Realtors

Thursday, [Metro Home Prices](#): “Severely lacking inventory levels across the country pinched sales growth and kept home prices rising at a steady clip in nearly all metro areas in the third quarter.” Homebuilding activity for all housing types is underperforming in roughly two-thirds of measured metro areas.

Standard & Poor’s

Tuesday, [Corelogic Case-Shiller House Price Index](#): Home prices continued to increase across the country over the last 12 months. The index recorded “a 6.1% annual gain in August, up from 5.9% in the previous month. The 10-City Composite annual increase came in at 5.3%, up from 5.2% the previous month. The 20-City Composite posted a 5.9% year-over-year gain, up from 5.8% the previous month.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 2.6 percent from one week earlier. . . . The Refinance Index decreased 5 percent from the previous week. The seasonally adjusted Purchase Index decreased 1 percent from one week earlier.”

Energy Information Administration

Wednesday, [Petroleum Status Report](#): “U.S. crude oil refinery inputs averaged over 16.0 million barrels per day during the week ending October 27, 2017, 10,000 barrels per day less than the previous week’s average. Refineries operated at 88.1% of their operable capacity last week. Gasoline production increased last week, averaging 10.2 million barrels per day. Distillate fuel production increased last week, averaging over 5.0 million barrels per day.”

Thursday, [Natural Gas Report](#): “Working gas in storage was 3,775 Bcf as of Friday, October 27, 2017. This represents a net increase of 65 Bcf from the previous week. Stocks were 180 Bcf less than last year at this time and 41 Bcf below the five-year average of 3,816 Bcf. At 3,775 Bcf, total working gas is within the five-year historical range.”