

Economic Update, February 12, 2016

Submitted by Reuben Kyle

Summary: It was another week of mixed results in the economic news. The best news is from labor markets where several indicators continue to show strong results including a jump in the latest job openings survey. Still, manufacturing data remains disappointing. The final item this week is a story about negative interest rates.

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

Monday: This week Dr. R begins with his take on last week's jobs report. First, he gives his views on the stock market reaction. I won't report on that except to point out that he thinks P/E ratios are still too high. Later in the report, he dissects the jobs report in detail. He contends that the economy did not grow in the last quarter of 2015 but has already picked up steam. He hasn't offered any numbers as yet on Q1 2016.

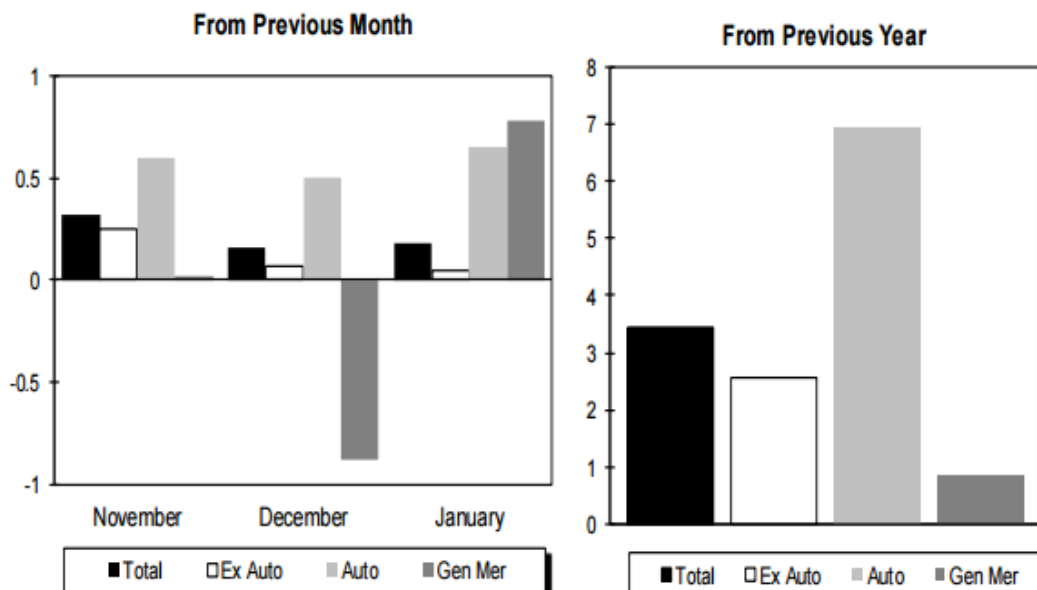
Census Bureau

Tuesday, [Monthly Wholesale Trade, Sales and Inventories](#): December 2015 sales of merchant wholesalers were 0.3% lower than in November and 4.5% lower than in December 2014. However, sales of durable goods as well as motor vehicles and parts were higher, while sales of electrical and electronic goods, nondurable goods, and petroleum products were all down. Inventories also fell in December but were 1.9% higher than in December 2014. The inventory/sales ratio was 1.32, unchanged from November but higher than the 1.24 a year earlier.

Friday, [Advance Monthly Sales for Retail and Food Services](#): In January 2016, sales of retailers and food service providers increased 0.2% from December and 3.4% since January 2015. Retail trade sales alone were up 0.3% for the month, and non-store retail sales were 8.7% higher than a year earlier. The chart below shows more detail.

Percent Change in Retail and Food Services Sales

(Estimates adjusted for seasonal variation and holiday and trading-day differences, but not for price changes)



Friday, [Manufacturing and Trade, Inventories and Sales](#): In December 2015, sales by distributive wholesalers and shipments by manufacturers were down 0.6% from November and 2.7% from December 2014. Inventories rose 0.1% for the month and 1.7% year-over-year. The inventory/sales ratio was 1.39, up from 1.38 in November.

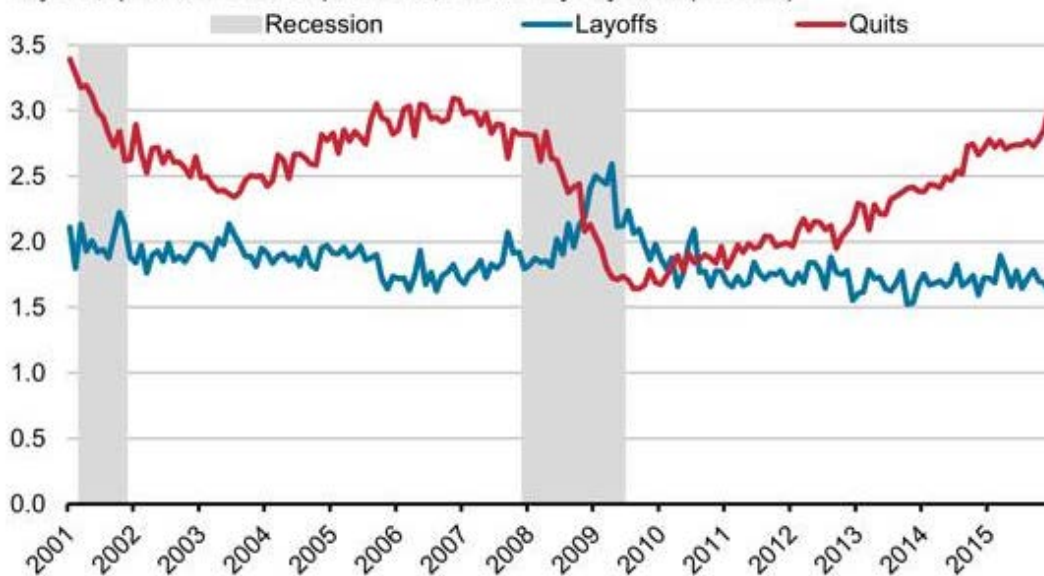
Bureau of Labor Statistics

Tuesday, [Job Openings and Labor Turnover Survey \(JOLTS\)](#): Job openings in December 2015 numbered 5.6 million, up from the 5.36 million in November and the 4.88 million in December 2014. Openings increased in many sectors of the economy including construction, manufacturing—both durable and nondurable goods—and state and local government. The number of hires in December was 5.4 million, the same as in November, which was the highest level since December 2007. The quit rate in the private sector was 2.4%, up from 2.0% in November and 1.9% in December 2014.

Tuesday, *The Wall Street Journal*, [Voluntary Job-Quitting Hits the Highest Level in Nine Years](#): The number of hires totaled 5.4 million in December, while the number of voluntary quits total 3.1 million, the latter figure being the highest since December 2006. This increased number of quits is typically interpreted as an indicator that people are more confident about the job market and leave one job for a higher paying job. Adding this statistic to the lower unemployment rate, increased wage growth, and strong end-of-year job growth indicates that the labor market is healthy. The chart below tracks the number of layoffs—involuntary—versus the number of quits since 2001. The number of layoffs spiked in both recessions, particularly so in the recent Great Recession.

Heading for the Exit

Layoffs, quits and other separations, seasonally adjusted (millions)



Source: Labor Department | WSJ.com

Wednesday, [Major Work Stoppages](#): In 2015, there were 12 work stoppages involving 1,000 or more workers lasting one shift or longer. That number is one more than the 11 stoppages in 2014 but up from the historic low of five in 2009. The largest number was 470 in 1952; the last year in which there were double-digit stoppages was 1981. In 1952, the total number of workers involved was 2,746,000, while in 2015 that number was 47,000.

Friday, [US Import and Export Price Indexes](#): In January 2016, the US Import Price Index fell 1.1%, the second consecutive decline of that amount. Since January 2015, the index has fallen 6.2% led by a 34.5% decrease in the fuel price index. The Export Price Index dropped 0.8% in January and 5.7% year over year. That decline was by a 12.7% decline in agricultural prices.

US Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance in the week ending February 6, 2016, fell by 16,000 to 269,000 and the four-week moving average declined by 3,500 to 281,250. In the prior week, ending January 30, six states, including Tennessee, reported increases of 1,000 or more in initial claims, and two states reported decreases of 1,000 or more. Tennessee reported an increase of 4,211 new claims with the following comment: "Layoffs in the construction, administrative, support, waste management and remediation service, and accommodation and food service industries."

Board of Governors of the Federal Reserve

Monday, Labor Market Conditions Index: In January 2016, this index was 0.4, down from 2.3 in December and well below the 3.7 in January 2015. Remember: this index is very volatile, ranging from a high of +28.6 in 1983 to a low of -38.5 in January 2009.

The Conference Board

Monday, [Employment Trends Index](#): The January 2016 index was 128.93, up slightly from 128.71 in December. "The Employment Trends Index rose for the second month in a row, reducing the likelihood of further slowing in employment growth," said Gad Levanon, managing director of macroeconomic and labor market research at The Conference Board. "However, the temporary help industry component declined sharply in January, and because it is one of the best leading indicators of employment growth, we will monitor it closely in the coming months."

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index was 44.5 compared with 44.2 the previous week. "Americans' ratings of the buying climate reached their highest in nine and a half months this week and, signaling some durability, have remained above their prerecession average for three weeks straight."

University of Michigan

Friday, [Consumer Sentiment Index](#): The preliminary February 2016 index is 90.7 compared with 92.0 in the final January index. "While slowing economic growth was anticipated to slightly lessen the pace of job and wage gains, consumers viewed their personal financial situations somewhat more favorably due to the expectation that the inflation rate would remain low for a considerable period of time. Indeed, consumers anticipated the lowest long-term inflation rate since this question was first asked in the late 1970's. No one would have guessed forty years ago, when high inflation was the chief cause of pessimism, that consumers would someday base their optimism on ultra-low inflation transforming meager wages into real income gains."

MTSU Business & Economic Research Center

Monday, [Tennessee Housing Report](#): This report covers the 3rd quarter of 2015 and provides an excellent overview of the Tennessee economy through that period. It includes data and graphics on initial claims for unemployment insurance, total employment and unemployment rates, homeowner

and rental vacancy rates, building permits, mortgage tax collections, real estate transfer taxes, housing prices, past due mortgages, and foreclosures.

The New York Times

Friday, [How Negative Interest Rates Could Remake the Global Financial System](#): Can you imagine paying your bank to hold your deposits? In Europe and Japan, negative interest rates are a reality. This article explains how they work and what the consequences might be. Pretty interesting and scary.