

Economic Update, May 25, 2018
Submitted by Michael Mount

Summary: Prospects for economic growth remain about the same, and wages are increasing somewhat. On the downside, initial claims for unemployment insurance ticked up, along with mortgage interest rates and gas prices. Homes sales are beginning to weaken. The 10-Year Treasury Note [crossed](#) below the psychologically important 3% mark (see chart below).

U.S. 10-Year Treasury Note



Source: WSJ Market Data Group

Census

Wednesday, [New Residential Sales](#): New houses sold decreased to 662,000 in April 2018 from 672,000 in March but remain above the April 2017 estimate of 593,000. “The median sales price of new houses sold in April 2018 was \$312,400. The average sales price was \$407,300.”

Friday, [Advance Report on Durable Goods](#): New orders of durable goods were \$248.5 billion in April 2018, down 1.7 percent from March’s revised \$252.7 billion figure, which was up 2.7 percent from the previous month. Shipments of durable goods were down 0.1 percent to \$246.7 billion.

Bureau of Labor Statistics

Wednesday, [County Employment and Wages](#): Employment in the United States increased 1.5 percent from December 2016 to December 2017. Tennessee’s increase was 1.3 percent while Rutherford County, Tennessee, increased its employment by 5.2 percent. From the fourth quarter of 2016 to the fourth quarter of 2017, wages increased 3.9 percent for the United States and 3.0 for Tennessee.

Department of Labor

Thursday, [Initial Claims](#): “In the week ending May 19, the advance figure for seasonally adjusted initial claims was 234,000, an increase of 11,000 from the previous week’s revised level. The previous week’s level was revised up by 1,000 from 222,000 to 223,000.”

Federal Reserve

Monday, [National Activity Index](#): The index “ticked up to +0.34 in April from +0.32 in March,” pointing to “little change in economic growth in April.”

Wednesday, [Federal Open Market Committee Minutes](#): The minutes were dovish, meaning the Fed might let inflation rise above its 2 percent target. “Consumer price inflation, as measured by the 12-month percentage change in the price index for personal consumption expenditures (PCE), was 2 percent in March. . . . The national unemployment rate remained at 4.1 percent for a sixth consecutive month.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 2.6 percent from one week earlier . . . for the week ending May 18, 2018. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$453,100 or less) increased to its highest level since April 2011, 4.86 percent, from 4.77 percent . . . The average contract interest rate for 15-year fixed-rate mortgages increased to its highest level since February 2011, 4.31 percent from 4.20 percent.”

IHS Markit

Wednesday, [Purchasing Managers’ Index](#): The index increased from 54.9 in April 2018 to 55.7 in May. “U.S. private sector firms signaled a robust and accelerated rise in business activity during May, which adds to evidence of a sustained growth rebound in the second quarter of 2018.”

Federal Housing Finance Agency

Thursday, [Housing Prices](#): “U.S. house prices rose 1.7 percent in the first quarter of 2018 according to the Federal Housing Finance Agency (FHFA) House Price Index (HPI). House prices rose 6.9 percent from the first quarter of 2017 to the first quarter of 2018.” Prices in Tennessee increased 7.7% in that period, 15th-most among all states.

“Home prices continue to rise across the U.S. but there are signs of tapering,” said Dr. William Doerner, Senior Economist. “Since housing markets began to rebound in 2012, house price appreciation has been positive because demand has outpaced supply. In the last month, however, some regions reflect a slowing or even flattening of house price growth.”

Bloomberg

Thursday, [Consumer Comfort Index](#): The index increased to 55.2 from 54.6 the previous week, its first increase in five weeks. “Even so, the main gauge registered its second-lowest reading since early February, with sentiment under pressure from higher prices at the gas pump.”

National Association of Realtors

Thursday, [Existing Home Sales](#): “Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, decreased 2.5 percent to a seasonally adjusted annual rate of 5.46 million in April from 5.60 million in March.”

University of Michigan

Friday, [Consumer Sentiment](#): The index decreased to 98.0 in May 2018 from 98.8 in April, showing “no emerging trend.” Consumers expect increasing jobs, wages, interest rates, and inflation. “As past expansions have shown, rising interest rates do not suppress spending gains as long as they are accompanied by more substantial increases in incomes.”