

Economic Update, May 5, 2017
Submitted by Reuben Kyle

Summary: It is the first Friday of the month so that the big news is the BLS jobs report, which was very strong with 211,000 jobs added. Still, from a number cruncher's point of view the economic news is hard to interpret. Many indicators, for example construction spending and motor vehicle sales, show some slowing of the economy, but not much, and others, like the Manufacturers' survey show signs of improvement.

Census Bureau

Monday, [Construction Spending](#): In March 2017, total construction spending fell by 0.2% from February but was 3.6% higher than in March 2016. Private residential construction spending was 1.2% above that in the prior month while nonresidential spending was 1.3% lower than in February. Public education construction spending was 2.0% below that in February and highway construction spending was up by 0.5%.

Thursday, [U.S. International Trade in Goods and Services](#): In March 2017, U.S. exports declined by \$1.7 billion from February; imports were also down by \$1.7 billion, resulting in a decline of \$0.1 billion in the Balance of Trade deficit. The deficit in goods increased by \$0.4 billion while the surplus in services increased by \$0.4 billion. (I have double checked those numbers!)

Thursday, [Manufacturers' Shipments, Inventories, and Orders](#): In the final report for March 2017, new orders for manufactured goods rose by 0.2%, new orders for manufactured durable up by 0.9% and for nondurables new orders fell by 0.5%. Shipments declined by 0.1%, though shipments of durables gained 0.3%. Unfilled orders added 0.3% led by transportation equipment. Inventories dropped by \$0.1 billion and the inventory/sales ratio was 1.32, up from 1.31 in February.

Bureau of Labor Statistics

Wednesday, [Metropolitan Area Employment and Unemployment](#): In March 2017, unemployment rates declined in 336 of 388 Metropolitan Statistical Areas (MSAs) compared with March 2016, rates were higher in 38 metro areas, and unchanged in 14. Total nonfarm employment increased, year-over-year, in 310 MSAs, declined in 71, and was unchanged in seven. The lowest unemployment rate, 2.1%, was shared by Ames, Iowa and Boulder, Colorado. The highest rate at 19.2% was in El Centro, California. Among the 10 Tennessee MSAs, all 10 had lower unemployment rates in March than in February. Compared with March 2016, six had higher unemployment rates this March one had a lower rate, and in three the rate was unchanged. From February to March 2017, employment increased in all but one of the 10 Tennessee MSAs. Year-over-year, employment increased in all 10 with the largest increase in both number and percentage in the Nashville-Davidson-Murfreesboro-Franklin MSA.

Thursday, [Productivity and Costs](#): In the 1st quarter of 2017, nonfarm business output increased by 1.0%, labor-hours worked by 1.6% resulting in a decline in labor productivity of 0.6%. Compared with the 1st quarter of 2016, nonfarm labor productivity has risen by 1.1%. In Q1 2017, unit labor costs have increased by 3.0%. Manufacturing sector productivity increased by 0.4% as output gained 2.8% and labor hours worked increased by 2.4%.

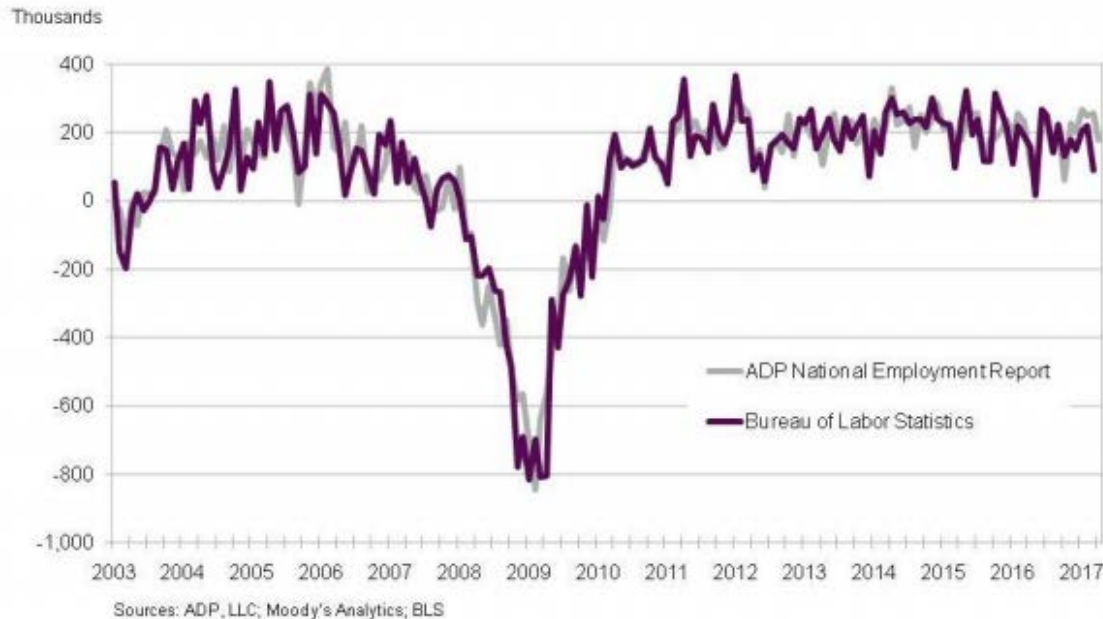
Friday, [Employment Situation](#): In April 2017, total nonfarm employment increased by 211,000 and the unemployment rate was 4.4%, down slightly from 4.5% in March. From the [Household Survey](#), the number of people in the labor force changed very little while the number employed increased by 156,000 despite which the Labor Force Participation Rate fell slightly to 62.9%. Unemployment rates among the different demographic groups identified change little except for a 1% increase in that for Teenagers. Also, the number of people working part time fell for both "economic reasons" and "slack work or business conditions." From the [Establishment Survey](#), private employment increased by 194,000 with construction up by 5,000 and motor vehicles and parts gaining 2,800. In the Service-

Providing sector the big gainers were Professional and Business Services, Leisure and Hospitality, and Health Care and Social Assistance. Government added 17,000 jobs. The number of weekly hours worked added 0.1 to 34.4. Finally, the Diffusion Indexes were 60.2% for Total Private and 53.2% for Manufacturing.

ADP.com

Wednesday, [ADP Employment Report](#): In April 2017, private sector employment increased by 177,000 jobs. “The ADP National Employment Report® is a monthly measure of the change in total U.S. nonfarm private employment derived from actual, anonymous payroll data of client companies served by ADP®, a leading provider of human capital management solutions. The report, which measures nearly 24 million U.S. workers, is produced by the ADP Research Institute®, a specialized group within the company that provides insights around employment trends and workforce strategy, in collaboration with Moody’s Analytics, Inc.” The chart below compares the ADP report with the BLS report since 2003.

Chart 2. Historical Trend – Change in Total Nonfarm Private Employment



Bureau of Economic Analysis

Monday, [Personal Income and Outlays](#): In March 2017, Personal Income and Disposable Personal Income (DPI) both increased by 0.2% over February while Personal Consumption Expenditures (PCE) were unchanged from the previous month. Measured in inflation-adjusted terms, DPI rose by 0.5% and PCE was up by 0.3%. These latter two increases were the result of a fall of 0.2% in the PCE Price Index which has risen by 1.8% over the previous 12-month period.

U.S. Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance in the week ending April 29, 2017 fell by 19,000 to 238,000 and the four-week moving average rose by 750 to 243,000. The four-week moving average of the number of unemployed persons was 1,989,250 the lowest level since November 26, 1988. In the week ending April 22, two states reported increases of 1,000 or more initial

claims and four states reported decreases of 1,000 or more. Tennessee reported an increase of five new claims from the previous week.

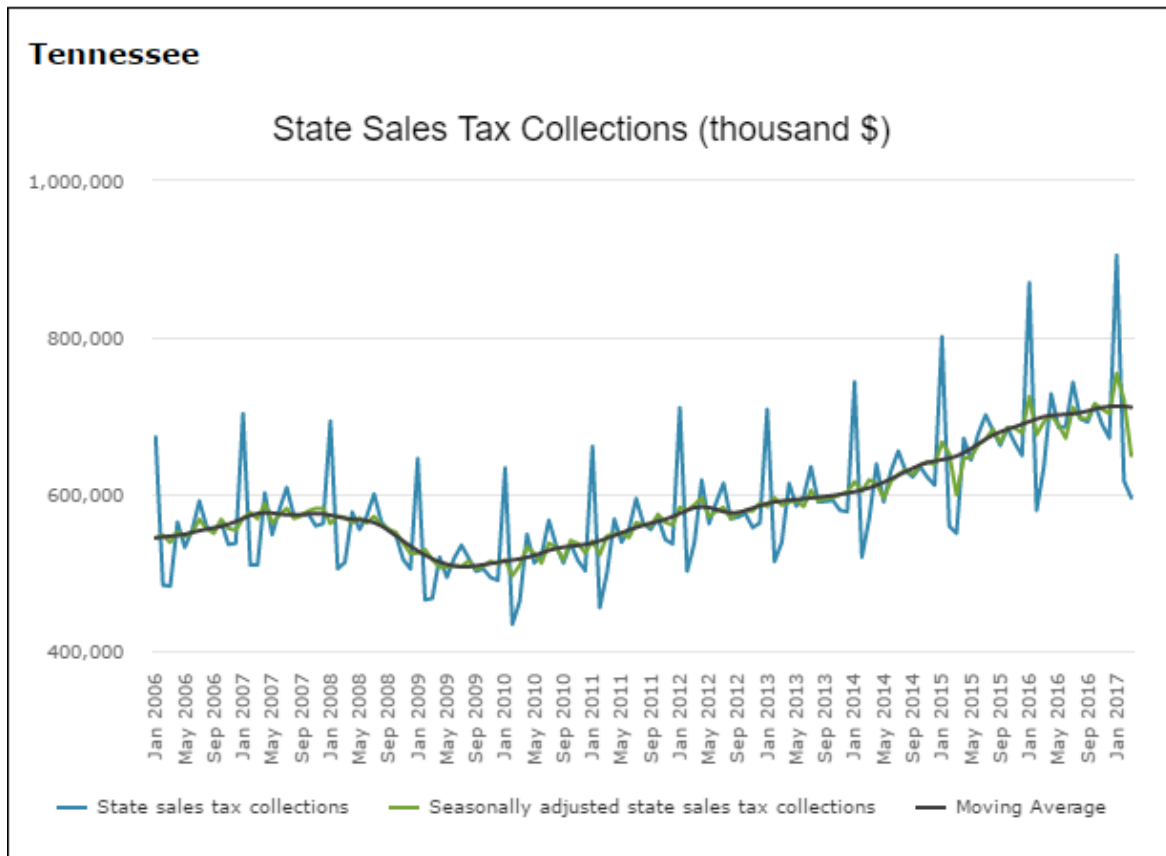
Board of Governors of the Federal Reserve

Tuesday, Federal Open Market Committee (FOMC) Meeting

Wednesday, [FOMC Meeting Announcement](#): Labor markets have continued to strengthen and inflation “measured on a 12-month basis” is close to the 2% target. Consumer prices fell in March so that inflation remained below the target. The committee voted unanimously to maintain the current federal funds rate at ¾% to 1%. “The Committee expects that economic conditions will evolve in a manner that will warrant gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run.”

TACIR/MTSU Department of Economics & Finance

Monday, [Tracking Tennessee’s Economy](#): The indicators are now updated through March 2017. Dr. David Penn reports: “Job growth remains positive but moderate, tempered by a modest rise in layoffs. Construction of single-family homes is strong. Job and construction growth were not enough to prevent a significant drop in sales tax collections.” The chart below show sales tax collections since January 2006.



Institute for Supply Management

Monday, [April 2017 Manufacturing ISM Report on Business](#): The PMI was 54.8 in April 2017 compared with 57.2 in March, a drop of 2.4 percentage points. Despite the decline the U.S. manufacturing economy continued to expand for the 8th consecutive month and the overall economy

expanded for the 95th consecutive month. The survey tracks 18 manufacturing industry sectors of which 16 reported expanding. The report has a new format with more graphics and less text.

Wednesday, [April 2017 Non-Manufacturing ISM Report on Business](#): This index was at 57.5% in April, up 2.3 percentage points, from the 55.2% in March marking the 88th consecutive month of expansion by the U.S. non-manufacturing sector. Sixteen of the 18 non-manufacturing industry sectors surveyed reported expanding during the month and only one sector reported contracting. The table below gives the details for both manufacturing and non-manufacturing surveys.

| ISM® NON-MANUFACTURING SURVEY RESULTS AT A GLANCE COMPARISON OF ISM® NON-MANUFACTURING AND ISM® MANUFACTURING SURVEYS* APRIL 2017 | | | | | | | | | |
|---|-------------------|------------------|----------------------|------------|------------------|------------------|------------------|------------------|----------------------|
| | Non-Manufacturing | | | | | | Manufacturing | | |
| Index | Series Index Apr | Series Index Mar | Percent Point Change | Direction | Rate of Change | Trend** (Months) | Series Index Apr | Series Index Mar | Percent Point Change |
| NMI®/PMI® | 57.5 | 55.2 | +2.3 | Growing | Faster | 88 | 54.8 | 57.2 | -2.4 |
| Business Activity/Production | 62.4 | 58.9 | +3.5 | Growing | Faster | 93 | 58.6 | 57.6 | +1.0 |
| New Orders | 63.2 | 58.9 | +4.3 | Growing | Faster | 93 | 57.5 | 64.5 | -7.0 |
| Employment | 51.4 | 51.6 | -0.2 | Growing | Slower | 38 | 52.0 | 58.9 | -6.9 |
| Supplier Deliveries | 53.0 | 51.5 | +1.5 | Slowing | Faster | 16 | 55.1 | 55.9 | -0.8 |
| Inventories | 52.5 | 48.5 | +4.0 | Growing | From Contracting | 1 | 51.0 | 49.0 | +2.0 |
| Prices | 57.6 | 53.5 | +4.1 | Increasing | Faster | 13 | 68.5 | 70.5 | -2.0 |
| Backlog of Orders | 53.5 | 53.0 | +0.5 | Growing | Faster | 3 | 57.0 | 57.5 | -0.5 |
| New Export Orders | 65.5 | 62.5 | +3.0 | Growing | Faster | 3 | 59.5 | 59.0 | +0.5 |
| Imports | 53.0 | 56.5 | -3.5 | Growing | Slower | 4 | 55.5 | 53.5 | +2.0 |
| Inventory Sentiment | 60.0 | 65.0 | -5.0 | Too High | Slower | 239 | N/A | N/A | N/A |
| Customers' Inventories | N/A | N/A | N/A | N/A | N/A | N/A | 45.5 | 47.0 | -1.5 |
| Overall Economy | | | | Growing | Faster | 93 | | | |
| Non-Manufacturing Sector | | | | Growing | Faster | 88 | | | |

* **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

Markit Economics

Monday, [Purchasing Managers' Index \(PMI\) Manufacturing Index](#): This index fell from 53.3 to 52.8 in April 2017. Chief Markit Economist Chris Williamson writes: "Manufacturers reported that growth of production and order books have slowed markedly since peaking in January, with April seeing the weakest improvements for seven months. The signs of slowing growth are most evident in the domestic consumer sector, but investment goods manufacturers continue to fare well, enjoying

stronger capital equipment spending from the energy sector in particular. Exports have also perked up, with April seeing the steepest increase in foreign orders for eight months.”

Wednesday, [PMI Services Index](#): The Services index rose from 52.8 to 53.1 in April 2017. While still well above the level of 50.0 marking no change in economic activity, the rate of increase was the lowest in seven months. That said: “April’s survey revealed that over 34% of respondents are forecasting a rise in activity, with the overall degree of confidence the best in three months.” Chris Williamson, Chief Markit Economist, wrote: “The final services PMI came in above the earlier flash estimate but remained only marginally higher than March’s six-month low.”

Autodata.com

Tuesday, [Motor Vehicle Sales](#): The seasonally-adjusted, annual sales rate of light vehicles in April 2017 was 16.88 million compared with 16.62 in March and 17.4 in April 2016. This rate was the third lowest in the past 12-month period. General Motors car sales were 12.5% lower year-over-year and their year-to-date sales are down 14.9%. Nissan’s car sales declined 12.0% compared to April 2016 and their year-to-date sales are 12.5% lower than in 2016. Volkswagen’s car sales were the bright spot for the month with a 1.6% increase from the previous April and their year-to-date sales are up by 7.7%. According to [Automotive News](#) “[April] marks the fourth consecutive monthly decline for U.S. sales and extends the longest losing streak since the market bottomed out in 2009. Car deliveries skidded 11 percent and truck volume dropped 0.1 percent last month.”

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest reading was 50.9 up from 50.8 the previous week.

Gallup.com

Monday, [U.S. Consumer Spending Measure](#): In April 2017 U.S. consumers reported spending an average of \$107 per day, up by \$7 from March. “April’s \$107 is the ninth daily spending average of at least \$100 that Gallup has recorded for any given month during nine years of tracking the metric, and the third consecutive such reading in 2017.... Though retail sales sagged in the first quarter of 2017, April could be a turning point. According to the National Retail Federation, Americans were projected to break a record for spending on Easter this year, which gels with their self-reports of greater spending in April.”

Tuesday, [Economic Confidence Index](#): In April 2017, this index averaged +5, down by four points from March. “Despite the dip, confidence has been in positive territory for six consecutive months -- the longest such streak in the past nine years.” This index is a composite of two measures: a rating of current economic conditions and whether the respondent feels that the economy is “getting better” or “getting worse.” This past month 32% rated economic conditions as “excellent” or “good.” Interestingly, 46% indicated that the economy was “getting better” and 47% indicated that it was “getting worse.”

Wednesday, [Job Creation Index](#): The April Job Creation Index was +36 down only one from the +37 in March. The index has been at +30 or above since March 2016. It was highest in the Midwest at +42 followed by the South at +37.

Thursday, [Good Jobs Rate](#): This measure fell from 45.1% in March to 44.7% in April 2017, slightly less than the 44.9% in April 2016. “While the GGJ has fluctuated on a monthly basis since Gallup first began tracking the measure in January 2010, it has generally trended up. The low point for the GGJ was 41.7% in February 2011, as the economy struggled to recover from the Great Recession and the high unemployment rate that followed. The highest point was 47.1% in July 2016.” The chart below shows this measure since January 2010.

U.S. Gallup Good Jobs Rate

January 2010-April 2017

■ Gallup Good Jobs rate %



GALLUP DAILY