

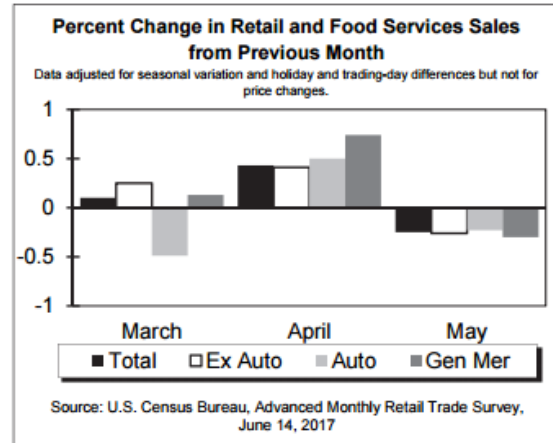
Economic Update, June 16, 2017
Submitted by Reuben Kyle

Summary: The week’s economic news was not bright. While many economic measures were down, there are still positive notes with labor market measures continuing to be strong and consumer confidence remaining relatively high. Tennessee’s unemployment rate fell by 0.7 percentage points to 4.0% in May.

Census Bureau

Wednesday, [Advance Monthly Sales for Retail and Food Services](#): In May 2017, advance monthly sales of retailers and food services providers were down by 0.3% from April but up by 3.8% from May 2016. The graphic below gives some detail.

ADVANCE MONTHLY SALES		
May 2017	\$473.8 billion	-0.3%*
April 2017 (revised)	\$475.0 billion	0.4%
Next release: July 14, 2017		
* The 90 percent confidence interval includes zero. There is insufficient statistical evidence to conclude that the actual change is different from zero.		
Data adjusted for seasonal variation and holiday and trading-day differences but not for price changes. Source: U.S. Census Bureau, Advanced Monthly Retail Trade Survey, June 14, 2017.		



Wednesday, [Manufacturing and Trade, Inventories and Sales](#): In April 2017, combined sales of distributive trade services and manufacturers’ shipments were “virtually unchanged” from March but were 5.6% higher than in April 2016. Inventories fell by 0.2% for the month, and the inventory/sales ratio was 1.37, the same as the previous month.

Friday, [New Residential Construction](#): In May 2017, the number of building permits issued was down by 4.9% from April and 0.8% below the number of May 2016. Permits for single-family housing were down 1.9%. Similarly, housing starts fell by 5.5% from April and 2.4% from May 2016. Starts for single-family housing were 3.9% lower than in the previous month. Housing completions were up by 5.6% from April and 14.6% higher than in May 2016.

Bureau of Labor Statistics

Tuesday, [Producer Price Index \(PPI\)](#): In May 2017, the seasonally adjusted PPI for final demand was unchanged from April and the unadjusted index is up by 2.4% since May 2016. Excluding food, energy, and trade services the May index was down by 0.1%. The index for services was 0.3% higher in May than for April.

Wednesday, [Consumer Price Index \(CPI\)](#): The May 2017 CPI declined by 0.1% and over the previous 12-month period has risen by 1.9%. The principal mover of the index was a 6.4% fall in the price index of gasoline. Excluding food and energy, the CPI rose by 0.1% for the month and by 1.7% since May 2016.

Wednesday, [Real Earnings](#): In May 2017, with the 0.1% drop in the CPI and a 0.2% increase in average hourly earnings, real average hourly earnings increased by 0.3%. Since May 2016, real average

hourly earnings have risen by 0.6%. Real earnings of Production and nonsupervisory employees also increased by 0.3% for the month.

Thursday, [U.S. Import and Export Price Indexes](#): In May 2017, the U.S. Import Price Index fell by 0.3%. This decline was led by a 3.7% drop in fuel import prices. From May 2016 to May 2017, the import index has risen by 2.1% as the fuel index is up by 16.9%. The Export Price Index declined by 0.7%, prompted by a 1.6% decrease in the agricultural index.

Friday, [State Employment and Unemployment](#): In May 2017, unemployment rates were down in nine states, higher in three, and “stable”—meaning not statistically different—in 38 states plus the District of Columbia. Compared with May 2016, 22 states had lower unemployment rates while 28 states and the District of Columbia “had little or no change.” Colorado had the lowest unemployment rate at 2.3% and Alaska had the highest rate at 6.7%. [Tennessee](#) had the largest drop in unemployment rate with a 0.7 percentage point decline as the rate fell from 4.7% to 4.0%. Nonfarm employment increased in nine states plus the District of Columbia, and four states had declines. Year-over-year, 28 states had increased employment. Ironically, for the month of May, Tennessee’s total employment fell by 200 jobs with construction losing 600 while manufacturing added 800. Since May 2016, Tennessee has added 57,500 jobs.

U.S. Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance fell by 8,000 to 237,000 in the week ending June 10, 2017, and the four-week moving average rose by 1,000 to 243,000. In the previous week, ending June 3, no state reported an increase of 1,000 or more initial claims while six states, including Tennessee, reported declines of 1,000 or more new claims. Tennessee reported 2,101 fewer initial claims than in the prior week. No comment was offered.

U.S. Department of Transportation

Wednesday, [April 2017 Freight Transportation Services Index](#): The April index was 122.8 compared with 123.5 in March and 125.7 in February. “The April decrease in the Freight TSI was broad based, with declines in all freight transportation modes except air freight and trucking. The decrease took place despite growth in other economic indicators in April.”

Board of Governors of the Federal Reserve

Tuesday, Federal open Market Committee (FOMC) Meeting

Wednesday, [FOMC Meeting Announcement](#): “In view of realized and expected labor market conditions and inflation, the Committee decided to raise the target range for the federal funds rate to 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.” Nine of the ten FOMC members voted in favor of the change in the fed funds target and one member opposed it.

Wednesday, [FOMC Forecasts](#): These forecasts are provided by all members of the Federal Reserve Board and the Presidents of each of the 12 banks. The median forecasts of the reported measures are: Change in real GDP in 2017, 2.2% up from the 2.1% in the March projection; Unemployment rate, 4.3% in 2017 down from 4.5% in the March projection; PCE inflation, 1.6% compared with 1.9% in the prior report; Core PCE inflation, 1.7%, down from 1.9% in March; and projected appropriate policy path for the Federal Funds Rate, 1.4%, unchanged.

Thursday, [Industrial Production](#): In May 2017, industrial production was unchanged from April with the index at 105.0. Both construction and manufacturing showed declines in May. Capacity utilization was down 0.1 percentage points at 76.6% compared with the long-term average of 79.9%.

National Association of Home Builders

Thursday, [Housing Market Index](#): In May 2017, this index fell from 69 to 67, remaining “solid” according to the report. “As the housing market strengthens and more buyers enter the market, builders continue to express their frustration over an ongoing shortage of skilled labor and buildable lots that is impeding stronger growth in the single-family sector,” said NAHB Chief Economist Robert Dietz.

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading is 50.0, up slightly from the previous 49.9.

University of Michigan

Friday, [Consumer Sentiment Index](#): The mid-month index for June is 94.5 compared with the final figure of 97.1 in May.

The New York Times

June 2, 2017: “[Can You Believe the Jobs Numbers?](#)” This article is an excellent primer on the BLS monthly employment survey. It describes the process for collecting the data and gives definitions for all the jargon. It is NOT a political statement.