

Economic Update, June 2, 2017
Submitted by Reuben Kyle

Summary: It's the first Friday of the month and the jobs report is the big news. First, the number of new jobs was less than anticipated and much less than the ADP report. Second, the unemployment rate was the lowest since 2001. Take your choice, good news or bad! The other economic news of the week follows recent patterns, there are some sectors, such as construction, housing, and car sales, that have slowed but the manufacturing sector is expanding.

Census Bureau

Thursday, [Construction Spending](#): In April 2017, total construction spending was down by 1.4% from March but 6.7% higher than in April 2016. Private residential construction spending was 0.7% lower than in March while nonresidential spending was 0.6% lower. Total public construction spending declined by 3.7% from March with educational spending down by 2.0% and highway construction spending declining by 3.7%.

Friday, [U.S. International Trade in Goods and Services](#): In April 2017, U.S. exports declined by \$0.5 billion from March, U.S. imports increased by \$1.9 billion, and the result was an increase in the balance of trade in goods and service deficit of \$2.3 billion. Year-to-date, the deficit has increased by 13.4%. The April goods deficit was up by \$2.3 billion while the services surplus declined by less than \$0.1 billion, or less than 0.1%.

Bureau of Labor Statistics

Wednesday, [Metropolitan Area Employment and Unemployment](#): In April 2017, unemployment rates were lower, year-over-year, in 322 of 388 Metropolitan Statistical Areas (MSAs), higher in 46, and unchanged in 20 MSAs. The lowest rate was in Ames, Iowa at 1.7% and the highest was in El Centro, California at 19.2%. Among the 51 MSAs with populations of one million or more, Denver-Aurora-Lakewood, Colorado had the lowest rate at 2.1% while Cleveland-Elyria, Ohio had the highest rate at 5.4%. Among the 10 Tennessee MSAs, all 10 had lower rates from March to April 2017 and from April 2016 to April 2017. The two Tennessee MSAs with a million or more population, Memphis and Nashville-Davidson-Murfreesboro, had rates of 4.2% and 2.9%, respectively. Nationally, total nonfarm employment increased in 297 MSAs between April 2016 and April 2017, it declined in 81, and was unchanged in 10 MSAs. Nine of the 10 Tennessee MSAs had higher employment in April compared with March, and all 10 saw employment growth year-over-year.

Friday, [Employment Situation](#): In May 2017, total nonfarm employment increased by 138,000 jobs and the unemployment rate edged down from 4.4% to 4.3%. From the [Household Survey](#), the labor force declined by 429,000, the number employed fell by 233,000, and the number of unemployed dropped 195,000. Unemployment rates fell for all demographic groups except Asians and Hispanic or Latino Ethnicity. From the [Household Survey](#), total private employment was up by 147,000 with construction adding 11,000 jobs but manufacturing losing 1,000, including 1,500 in motor vehicles and parts. In the service sector, Professional and Business Services added 38,000 jobs, Health Care and Social Assistance gained 32,200, and Leisure and Hospitality employment increased by 31,000. Government employment fell by 9,000. The Dispersion Index for Total Private Industries was 54.8% compared with 61.3% in April and the index for Manufacturing Industries was 48.1%, down from 55.1% the previous month.

ADP.com

Thursday, [ADP Employment Report](#): Private employment increased by 253,000 jobs in May 2017. Manufacturing added 8,000 jobs, construction employment was up by 37,000, and the service-producing sector gained 205,000 jobs.

Bureau of Economic Analysis

Tuesday, [Personal Income and Outlays](#): In April 2017, Personal Income, Disposable Personal Income (DPI), and Personal Consumption Expenditures (PCE) all increased by 0.4% and when adjusted for inflation DPI and PCE increased by 0.2%. The PCE Price Index rose by 0.2% for the month and over the previous 12-month period it was up by 1.7%.

U.S. Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance in the week ending May 27, 2017, rose by 13,000 to 248,000, and the four-week moving average increased by 2,500 to 238,000. The four-week moving average of the number of insured unemployed was 1,914,500, the lowest level since January 12, 1974. In the week ending May 20, one state reported an increase of 1,000 or more initial claims and one state reported a decrease of 1,000 or more. Tennessee reported a decrease of seven (7) new claims from the prior week.

Board of Governors of the Federal Reserve

Wednesday, [Beige Book](#): This issue of the Beige Book covers the period early April through late May 2017. Most of the 12 Federal Reserve Districts reported “modest or moderate” expansion of their economies. The Boston and Chicago banks indicated that growth had “slowed to a modest pace” since the last report and New York reported that growth had “flattened out.” In the Sixth District with headquarters in Atlanta, Georgia, economic activity continued to expand at a “moderate pace.” Labor markets are tight even in entry-level positions in the hospitality and food service industries. “Firms also continued to mention workforce development partnerships, apprenticeships, early education training, and dual enrollment programs at high schools.” Wages “remained stable” in all but high demand trades. The Business Inflation Expectations survey found that unit costs were up by 1.8% from May 2016 and are expected to rise by 2.0% over the next 12 months. Retail sales were reported as flat. Real estate and construction activity was growing with housing inventories “unchanged or down” compared to the same period in 2016. District manufacturing was strong and the outlook is optimistic with higher production levels expected over the next six months. Drought conditions were reported to have eased in the District, including Tennessee. However, in Tennessee, cotton and soybean plantings were below their five-year averages. The Eighth District, or St. Louis Federal Reserve Bank, economic activity “continued to expand at a modest pace” since the last report. A survey of District business found that 31% reported higher employment as compared with a year ago, and 40% expect 3rd quarter employment to be higher. Moderate wage growth was reported, with 61% indicating that “wages and labor costs” were higher than in this period in 2016. Otherwise, price pressures were moderate. Memphis area agricultural contacts reported that lower crop prices were “negatively” affecting their business. General retailers experienced some sales growth. Reports on manufacturing were positive, with 65% of contacts expecting growth in the 3rd quarter. Several manufacturing contacts report capital expansion plans. Residential real estate activity declined somewhat since the previous report but residential construction improved. In the agricultural sector, “Flooding and rain ...slowed planting, with planned acreage planted for corn, cotton, rice, and soybeans each below the percentages of the previous year. Cotton was the farthest off last year’s planting pace.”

The Conference Board

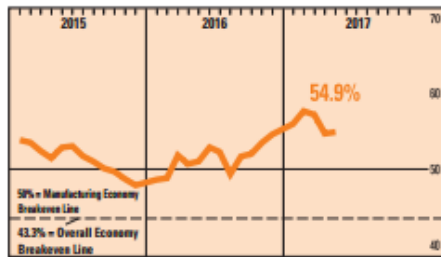
Tuesday, [Consumer Confidence Index](#): In May 2017, this index fell from 119.9 in April to 117.9. Lynn Franco, Director of Economic Indicators at The Conference Board, stated: “Consumer confidence decreased slightly in May, following a moderate decline in April... However, consumers’ assessment of present-day conditions held steady, suggesting little change in overall economic conditions. Looking ahead, consumers were somewhat less upbeat than in April, but overall remain optimistic that the economy will continue expanding into the summer months.”

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading was 51.2 compared to 50.9 the previous week.

Institute of Supply Management

Thursday, [May 2017 Report on Business ISM Manufacturing Index](#): The May PMI (Purchasing Managers' Index) was 54.9% up from 54.8% in April. The overall economy has expanded for the 96th consecutive month while the manufacturing economy has expanded for nine consecutive months. The survey covers 18 manufacturing industry sectors and 15 of those reported growing in May. The chart below shows the index since 2015.



PMI®

Manufacturing expanded in May as the PMI® registered 54.9 percent, an increase of 0.1 percentage point from the April reading of 54.8 percent, indicating growth in manufacturing for the ninth consecutive month. A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting. A PMI® above 43.3 percent, over a period of time, generally indicates an expansion of the overall economy.

COMMODITIES REPORTED

Markit Economics

Thursday, [Purchasing Managers' Index \(PMI\) Manufacturing Index](#): This index was 52.7 in May 2017 down from 52.8 in April. Like the ISM index any reading above 50 is interpreted as indicating a growing manufacturing sector, and like that index, the latest reading is below the level of a few (8) months ago. Chief Markit Economist Chris Williamson wrote: "Manufacturing growth momentum continued to ebb in May, down to its weakest since just before the presidential election. Manufacturing output, order books and employment all grew at only modest rates as sluggish sales prompted firms to scale back hiring."

Autodata.com

Thursday, [Motor Vehicle Sales](#): In May 2017, the seasonally-adjusted, annual rate of light vehicle sales in the U.S. was 16.66 million vehicles, the third consecutive month below 17 million. Even truck sales plateaued at 10.46 million in May. Among the three Tennessee assemblers, both General Motors and Nissan car sales were down by more than 10% from May 2016 while Volkswagen sales rose by 4.3%. Year-to-date, sales for all three followed the same pattern, with GM and Nissan sales down by double digits and Volkswagen's sales up nearly 7%. Truck sales by both GM and Nissan were up for the month and for the year but neither assemble trucks in Tennessee.

Standard & Poor's

Tuesday, [S&P Corelogic Case-Shiller House Price Index](#): In March 2017, the National Home Price Index "covering all nine U.S. census divisions, reported a 5.8% annual gain in March, up from 5.7% last month and setting a 33-month high." David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices wrote: "'While there is some regional variation, prices are rising across the U.S. Half of the 20 cities tracked by the S&P Corelogic Case-Shiller indices rose more than 6% from March 2016 to March 2017. The smallest gain of 4.1%, in New York, was roughly double the rate of inflation."

National Association of Realtors

Wednesday, [Pending Home Sales Index](#): In April 2017, this index was 109.8, down 1.3% from the 111.3 in March and 3.3% below that of April 2016. According to Lawrence Yun, NAR Chief Economist: "Much of the country for the second straight month saw a pullback in pending sales as the

rate of new listings continues to lag the quicker pace of homes coming off the market," he said. "Realtors are indicating that foot traffic is higher than a year ago, but it's obviously not translating to more sales."

Gallup.com

Thursday, [Good Jobs Rate](#): In May 2017, "the percentage of U.S. adults employed full time for an employer, rose nearly one percentage point to 45.4% in May. The GGJ rate is at its highest point so far this year, and matches where it was at this time in 2016."

