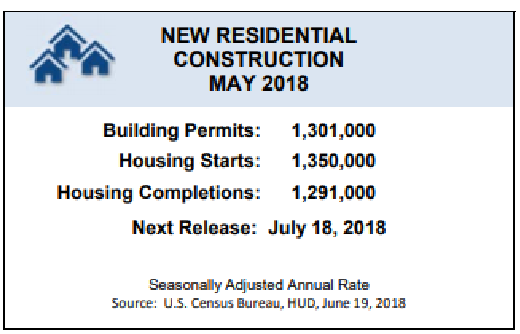
Economic Update, June 22, 2018
Submitted by Dave Keiser

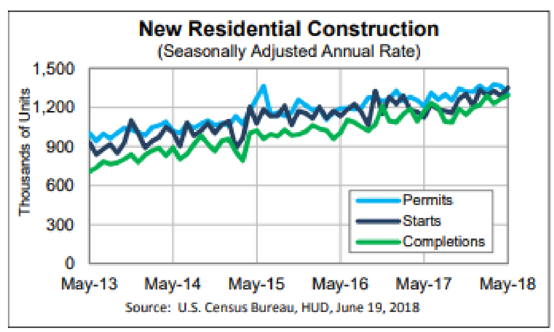
Summary: Economic indicators released this week are more balanced than last week's overall positive view of the economy. We continue to see low unemployment and increasing consumer confidence. Personal income increased in every state and the District of Columbia in the first quarter of 2018. At the same time, home construction has increased, but that could be short lived as the number of construction permits decreased since the last month. The housing inventory continues to decrease as well as sales of homes. The median cost of a home is at an all-time high. Lawrence Yun, National Association of Realtors chief economist, says "a solid economy and job market should be generating a much stronger sales pace than what has been seen so far this year. Closings were down in a majority of the country last month and declined on an annual basis in each major region. Incredibly low supply continues to be the primary impediment to more sales, but there's no question the combination of higher prices and mortgage rates are pinching the budgets of prospective buyers, and ultimately keeping some from reaching the market."

Also of note this week: [The US Supreme Court ruled in South Dakota's favor]in the internet sales tax case South Dakota v. Wayfair, which could make it easier for states to collect sales tax on internet purchases. Shares of online retailers fell following the ruling.

Census Bureau

Tuesday, [Monthly New Residential Construction]: "Privately-owned housing units authorized by building permits in May were at a seasonally adjusted annual rate of 1,301,000. This is 4.6 percent below the revised April rate of 1,364,000, but is 8.0 percent above the May 2017 rate of 1,205,000. . . . Privately-owned housing starts in May were at a seasonally adjusted annual rate of 1,350,000. This is 5.0 percent above the revised April estimate of 1,286,000 and is 20.3 percent above the May 2017 rate of 1,122,000. . . . Privately-owned housing completions in May were at a seasonally adjusted annual rate of 1,291,000. This is 1.9 percent above the revised April estimate of 1,267,000 and is 10.4 percent above the May 2017 rate of 1,169,000."



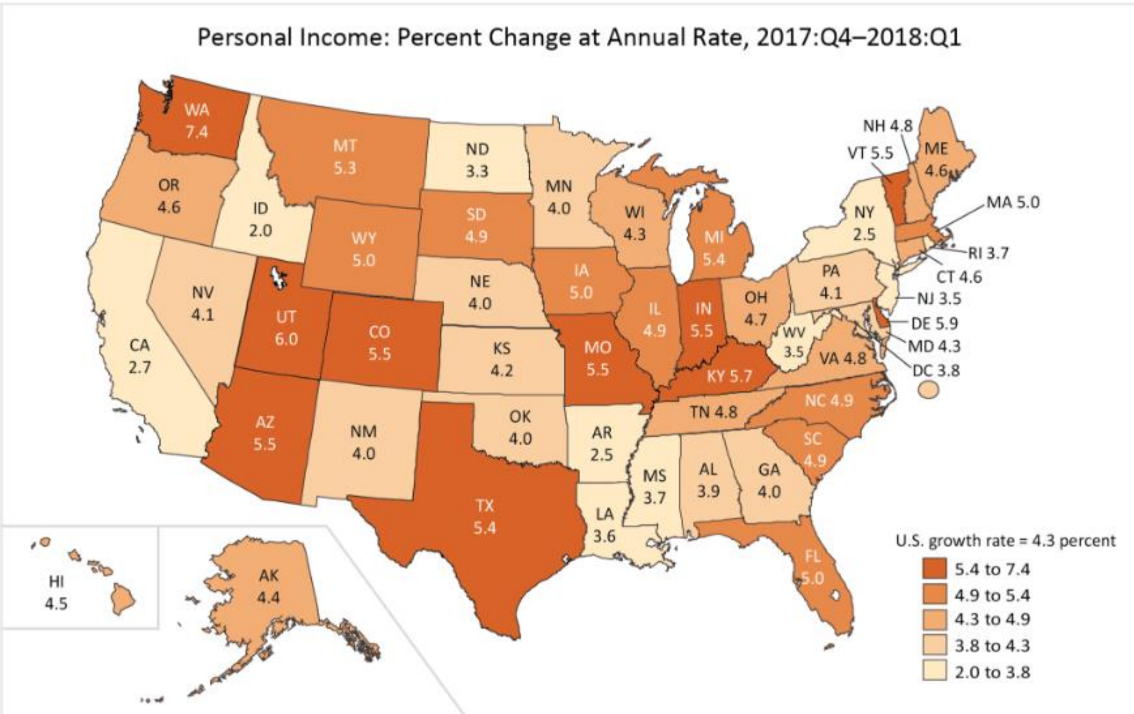


Bureau of Labor Statistics

Thursday, [Persons with a Disability: Labor Force Characteristics]: "In 2017, 18.7 percent of persons with a disability were employed. In contrast, the employment-population ratio for those without a disability was 65.7 percent. The employment-population ratios for both persons with and without a disability increased from 2016 to 2017. The unemployment rates for both persons with and without a disability declined from the previous year to 9.2 percent and 4.2 percent, respectively."

Bureau of Economic Analysis

Thursday, [State Personal Income: First Quarter 2018]: "State personal income increased 4.3 percent at an annual rate in the first quarter of 2018, after increasing 4.7 percent in the fourth quarter of 2017. Personal income increased in all states and the District of Columbia. The percent change in personal income across all states ranged from 7.4 percent in Washington to 2.0 percent in Idaho."



U.S. Bureau of Economic Analysis

Federal Housing Finance Agency (FHFA)

Wednesday, [FHFA House Price Index]: "U.S. house prices rose in April, up 0.1 percent from the previous month. The previously reported 0.1 percent increase in March was revised upward to 0.2 percent. . . . From April 2017 to April 2018, house prices were up 6.4 percent."

National Association of Realtors

Wednesday, [Existing Home Sales]: "Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, decreased 0.4 percent to a seasonally adjusted annual rate of 5.43 million in May from . . . 5.45 million in April. With last month's decline, sales are now 3.0 percent below a year ago and have fallen year-over-year for three straight months. . . . The median existing-home price for all housing types in May was $264,800, an all-time high and up 4.9 percent from May 2017 ($252,500). May's price increase marks the 75th straight month of year-over-year gains. Total housing inventory at the end of May climbed 2.8 percent to 1.85 million existing homes available for sale, but is still 6.1 percent lower than a year ago (1.97 million) and has fallen year-over-year for 36 consecutive months. . . . Properties typically stayed on the market for 26 days in May, unchanged from April and down from 27 days a year ago. Fifty-eight percent of homes sold in May were on the market for less than a month."

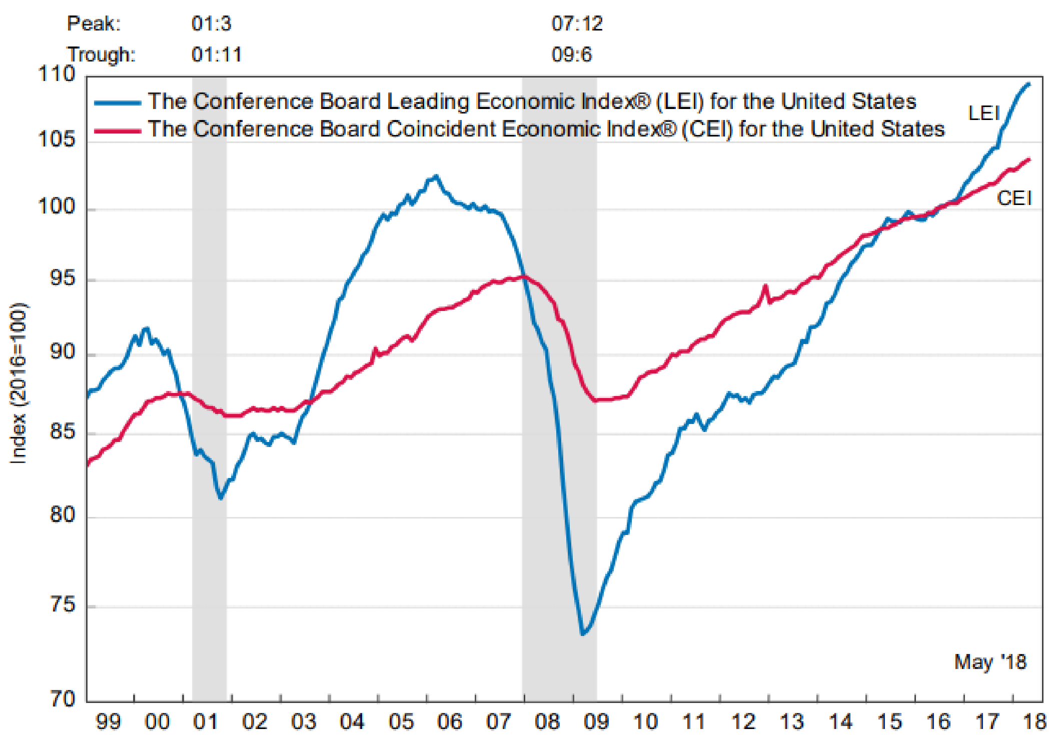
U.S. Department of Labor

Thursday, Initial Claims: "In the week ending June 16, the advance figure for seasonally adjusted initial claims was 218,000, a decrease of 3,000 from the previous week's revised level. . . . The 4-week moving average was 221,000, a decrease of 4,000 from the previous week's revised average. . . . The largest increases in initial claims for the week ending June 9 were in Pennsylvania (+6,023), California (+4,591), Florida (+2,542), Texas (+2,277), and New Jersey (+1,598), while the largest decreases were in Missouri (-719), Arkansas (-520), Mississippi (-512), New Mexico (-325), and Alabama (-202)." Tennessee also had a decrease in initial claims (-90).

The Conference Board

Thursday, Leading Economic Indicators (LEI): The LEI for the "U.S. increased 0.2 percent in May to 109.5, following a 0.4 percent increase in April, and a 0.4 percent increase in March. 'While May's increase in the U.S. LEI was slower than in recent months, the improvements in a majority of its components offset the declines in leading indicators of labor markets and residential construction,' said Ataman Ozyildirim, Director of Business Cycles and Growth Research at The Conference Board. 'The U.S. LEI still points to solid growth but the current trend, which is moderating, indicates that economic activity is not likely to accelerate.'"

***The Conference Board Leading Economic Index®* (LEI) for the U.S. Increased in May**



Latest LEI Trough March 2009, Latest CEI Trough June 2009
Shaded areas represent recessions as determined by the NBER Business Cycle Dating Committee.
Source: The Conference Board

Markit Economics

Friday, Purchasing Managers Index (PMI) Composite Flash: "June data indicated that U.S. private sector firms experienced a strong end to the second quarter of 2018, driven by another robust contribution from service providers. In contrast, manufacturing production growth slowed for the second month running, to its weakest since September 2017. The latest survey also revealed intense pressure on manufacturing supply chains, with delivery times for inputs lengthening to the greatest extent since the index began in May 2007."

Bloomberg.com

Thursday, Consumer Comfort Index: "Americans' expectations for the economy advanced for a second month in June to match the highest level since 2002. . . . Some 38 percent of respondents said the economy is getting better. The share has held at or above 36 percent for the last five months, the longest such stretch in monthly data back to 1986. What's more, gasoline prices continue to retreat from a more than three-year high in late May. Such sentiment may keep spurring consumer spending, which is gaining momentum in the second quarter. The latest government figures show retail sales advanced 0.8 percent in May, the most in six months, following an upwardly revised 0.4 percent gain in April."

University of Michigan

Friday, Consumer Sentiment Index: "Consumer sentiment rose slightly in early June due to consumers' more favorable assessments of their current financial situation and more favorable views of current buying conditions for household durables. The Expectations Index, in contrast, declined to its lowest level since the start of the year due to less favorable prospects for the overall economy. The sharpest divide was between the record number of households who mentioned recent income gains and the highest expected year-ahead inflation rate since 2015. At some point in every economic expansion, favorable income and job prospects act to offset higher inflation and interest rate expectations. Only when inflation and interest rates are expected to persistently exceed income and job prospects will consumers begin to curtail their discretionary spending."