

Economic Update, June 23, 2017
Submitted by Reuben Kyle

Summary: In this week's economic news the strength of the housing market is the big story. Home sales are up for both new and existing houses. At the same time, housing prices are also up. The Leading Economic indicators predict continued economic growth, and consumer confidence remains high.

Census Bureau

Friday, [New Residential Sales](#): In May 2017, sales of new single-family houses were up by 2.9% from April and by 8.9% from May 2016. The median sales price of new houses was \$345,800 compared to \$296,000 a year earlier. At the current sales rate, there is a 5.3 month supply of houses available for sale unchanged from April.

Bureau of Labor Statistics

Wednesday, [Persons with a Disability: Labor Force Characteristics](#): "In 2016, 17.9 percent of persons with a disability were employed, the U.S. Bureau of Labor Statistics reported today. In contrast, the employment-population ratio for those without a disability was 65.3 percent. The employment-population ratio for both persons with and without a disability increased from 2015 to 2016 (by 0.4 percentage point for persons with a disability and by 0.3 percentage point for persons with no disability). The unemployment rate for persons with a disability, at 10.5 percent, was little changed from the previous year, while the rate for those without a disability declined to 4.6 percent.... Regardless of disability status, the vast majority of those not in the labor force do not want a job; in 2016, 3 percent of those with a disability and 7 percent of those without a disability wanted a job."

Bureau of Economic Analysis

Thursday, [Real Personal Income for States and Metropolitan Areas](#): In 2015, real personal income in the U.S. increased by 4.1%, in Tennessee the growth rate was 5.1%. The fastest growth was in Delaware at 7.0% and the lowest was a negative 2.3% in North Dakota. Among Metropolitan Statistical Areas (MSAs), the highest growth rate in real personal income in Tennessee was the Nashville-Davidson-Murfreesboro-Franklin MSA at 8.0%, followed by Knoxville at 5.7%. The growth rate for nonmetropolitan U.S. was 2.6%, and the highest rate of 9.9% was in Carson City, Nevada.

U.S. Department of Labor

Thursday, [Initial Claims](#) for unemployment insurance in the week ending June 17, 2017, number 241,000, up by 3,000 from the previous week, and the four-week moving average was 244,750, an increase of 1,500 from the week before. In the week ending June 10, six states reported increases of 1,000 or more in new claims, and one state, Tennessee, reported a decrease of 1,036 initial claims from the prior week.

Federal Housing Finance Agency (FHFA)

Thursday, [FHFA House Price Index](#): In April 2017, U.S. house prices rose by 0.7% from March, and from April 2016 to April 2017 this index has risen by 6.8%. In the latest monthly numbers, the index actually fell by 0.1% in the East South Central region that includes Tennessee. That said, the index for Davidson County, Tennessee is 686 (2000 = 100) while in Grundy County, Tennessee the index is 93.1. Location, location, location.

National Association of Realtors

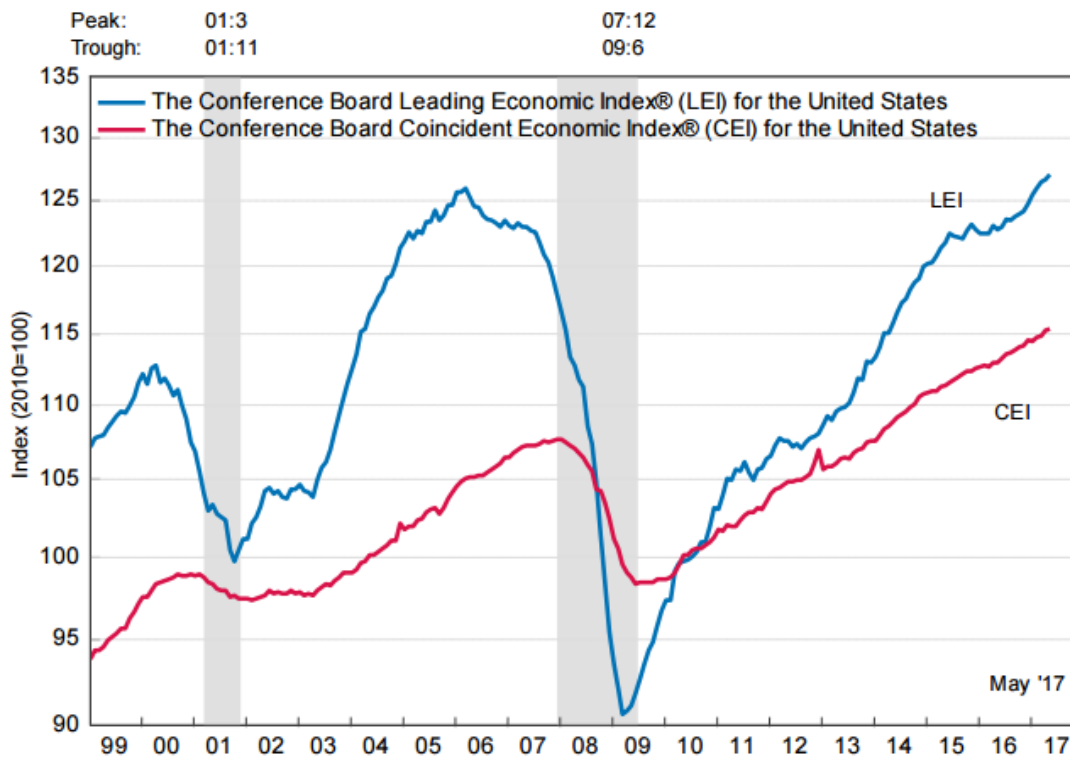
Wednesday, [Existing Home Sales](#): In May 2017, the seasonally adjusted, annual rate of existing home sales was 5.62 million, up by 1.1% from 5.56 million in April. Lawrence Yun, Chief NAR Economist, stated, "The job market in most of the country is healthy and the recent downward trend in mortgage rates continues to keep buyer interest at a robust level." The median sales price of "all housing types"

was \$252,800, a new peak price and 5.8% higher than in May 2016. Yun added: "Home prices keep chugging along at a pace that is not sustainable in the long run...Current demand levels indicate sales should be stronger, but it's clear some would-be buyers are having to delay or postpone their home search because low supply is leading to worsening affordability conditions."

The Conference Board

Thursday, [Leading Economic Indicators \(LEI\)](#): In May 2017, the LEI was 127.0 (2010=100) an increase of 0.3%. Ataman Ozyildirim, Director of Business Cycles and Growth Research at The Conference Board stated: "The U.S. LEI continued on its upward trend in May, suggesting the economy is likely to remain on, or perhaps even moderately above, its long-term trend of about 2 percent growth for the remainder of the year....The improvement was widespread among the majority of the leading indicators except for housing permits, which declined again. And, the average workweek in manufacturing has recently shown no sign of improvement." The Coincident Economic Index was 115.3, up by 0.1% from April. The chart below shows the two indexes since 1999.

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](#): The preliminary composite—manufacturing and services—index for June 2017 is 53.0 down, slightly from the final reading in May of 53.6. Chief Markit Economist Chris Williamson writes: "The economy ended the second quarter on a softer note. The June PMI surveys showed some pay-back after a strong May, indicating the second weakest expansion of business activity since last September."

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading is 49.4 compared to 50.0 the previous week. “The consumer comfort index eased 6 tenths in the June 18 week to what is a still very strong 49.4. Strong readings for confidence reflect strong optimism for employment.”