Economic Update, June 8, 2018
Submitted by Dave Keiser

Summary: The U.S. economy continues to grow, perhaps slightly slower than earlier in the year but with no sign of any problems. Labor market information continues to be strong. Analysts expect an increase to short-term interest rates when the Federal Reserve Open Market Committee meets next week, which will affect the cost of borrowing as well as inflation.

Census Bureau

Monday, Manufacturers' Shipments, Inventories, and Orders: "New orders for manufactured goods in April 2018, down following two consecutive monthly increases, decreased $4.0 billion or 0.8 percent to $494.4 billion. This followed a 1.7 percent March increase. Shipments, up eleven of the last twelve months, increased $0.1 billion or virtually unchanged to $492.8 billion. This followed a 0.7 percent March increase. Unfilled orders, up five of the last six months, increased $5.4 billion or 0.5 percent to $1,153.1 billion. This followed a 0.8 percent March increase. The unfilled orders-to-shipments ratio was 6.73, up from 6.66 in March. Inventories, up eighteen consecutive months, increased $2.2 billion or 0.3 percent to $666.9 billion. This followed a 0.2 percent March increase. The inventories-to-shipments ratio was 1.35, unchanged from March."

Tuesday, Quarterly Financial Report, Manufacturing, Mining, Wholesale Trade and Selected Service Industries: "U.S. manufacturing corporations' seasonally adjusted after-tax profits in the first quarter of 2018 totaled $154.0 billion, up $36.4 (±0.3) billion from the after-tax profits of $117.6 billion recorded in the fourth quarter of 2017, and up $3.7 (±0.8) billion from the after-tax profits of $150.2 billion recorded in the first quarter of 2017."

"Nondurable goods manufacturers' seasonally adjusted after-tax profits in the first quarter of 2018 totaled $76.1 billion, down $3.7 (±0.1) billion from the after-tax profits of $79.8 billion recorded in the fourth quarter of 2017, but up $5.0 (±0.3) billion from the after-tax profits of $71.1 billion recorded in the first quarter of 2017."

"Durable goods manufacturers' seasonally adjusted after-tax profits in the first quarter of 2018 totaled $77.9 billion, up $40.1 (±0.2) billion from the after-tax profits of $37.8 billion recorded in the fourth quarter of 2017, but down $1.3 (±0.5) billion from the after-tax profits of $79.1 billion recorded in the first quarter of 2017."

Tuesday, Quarterly Financial Report, Retail Trade: "Seasonally adjusted after-tax profits of U.S. retail corporations with assets of $50 million and over totaled $28.2 billion, down $1.1 (±0.1) billion from the $29.3 billion recorded in the fourth quarter of 2017, but up $9.2 (±0.1) billion from the $19.0 billion recorded in the first quarter of 2017. Seasonally adjusted sales for the quarter totaled $763.9 billion, up $15.4 (±6.6) billion from the $748.5 billion recorded in the fourth quarter of 2017, and up $49.1 (±6.3) billion from the $714.8 billion recorded in the first quarter of 2017."

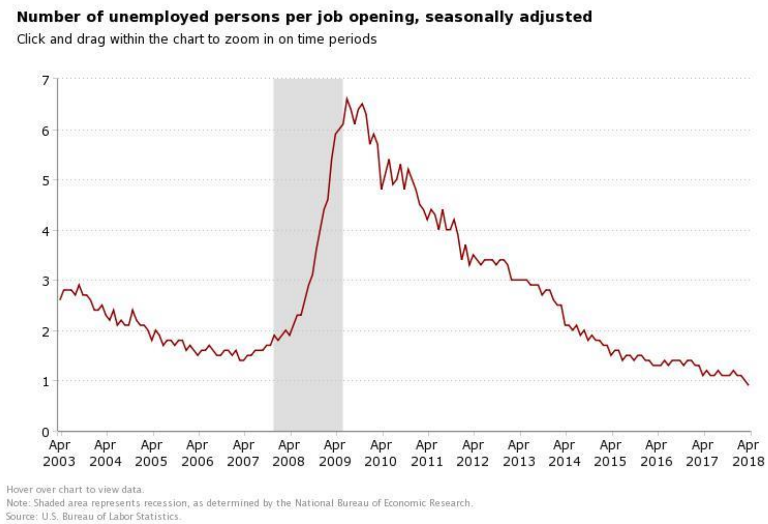
Thursday, Quarterly Services Survey: "U.S. selected services total revenue for the first quarter of 2018, not adjusted for seasonal variation or price changes, was $3,746.4 billion, a decrease of 1.2 percent (± 0.4 percent) from the fourth quarter of 2017 and up 5.2 percent (± 0.6 percent) from the first quarter of 2017. The fourth quarter of 2017 to first quarter of 2018 percentage change was revised from the advance estimate of -1.1 percent (± 0.4 percent)."

Friday, Monthly Wholesale Trade, Sales and Inventories: "April 2018 sales of merchant wholesalers, except manufacturers' sales branches and offices, after adjustment for seasonal variations and trading-day differences but not for price changes, were $493.3 billion, up 0.8 percent (±0.4 percent) from the revised March level and were up 7.8 percent (±3.3 percent) from the April 2017 level. The February 2018 to March 2018 percent change was unrevised from the Monthly Wholesale Annual Revision Report and is up 0.4 percent (±0.7 percent)."

"Total inventories of merchant wholesalers, except manufacturers' sales branches and offices, after adjustment for seasonal variations but not for price changes, were $630.2 billion at the end of April, up 0.1 percent (±0.2 percent) from the revised March level. Total inventories were up 5.8 percent (±3.9 percent) from the revised April 2017 level. The March 2018 to April 2018 percent change was revised from the advance estimate of virtually unchanged (±0.2 percent) to up 0.1 percent (±0.2 percent)."

Bureau of Labor Statistics

Tuesday, Job Openings and Labor Turnover Survey (JOLTS): "The number of job openings was little changed at 6.7 million on the last business day of April . . . Over the month, hires and separations were little changed at 5.6 million and 5.4 million, respectively. Within separations, the quits rate was unchanged at 2.3 percent and the layoffs and discharges rate increased to 1.2 percent."



Wednesday, Productivity and Costs: "Nonfarm business sector labor productivity increased 0.4 percent during the first quarter of 2018 [revised down from 0.7 percent as reported May 3] as output increased 2.7 percent and hours worked increased 2.3 percent. (All quarterly percent changes in this release are seasonally adjusted annual rates.) From the first quarter of 2017 to the first quarter of 2018, productivity increased 1.3 percent, reflecting a 3.6-percent increase in output and a 2.3-percent increase in hours worked."

Friday, Employer Costs for Employee Compensation: "Employer costs for employee compensation averaged $36.32 per hour worked in March 2018. Wages and salaries averaged $24.77 per hour worked and accounted for 68.2 percent of these costs, while benefit costs averaged $11.55 and accounted for the remaining 31.8 percent. Total employer compensation costs for private industry workers averaged $34.17 per hour worked in March 2018. Total employer compensation costs for state and local government workers averaged $49.40 per hour worked."

U.S. Department of Labor

Thursday, Initial Claims: "In the week ending June 2, the advance figure for seasonally adjusted initial claims was 222,000, a decrease of 1,000 from the previous week's revised level. The previous week's level was revised up by 2,000 from 221,000 to 223,000. The 4-week moving average was 225,500, an increase of 2,750 from the previous week's revised average. The previous week's average was revised up by 500 from 222,250 to 222,750."

The Conference Board

Monday, [Employment Trends Index](): "The Conference Board Employment Trends Index™ (ETI) decreased in May, after five consecutive monthly gains. The index now stands at 107.69, down from 108.00 (a downward revision) in April. The change represents a 3.9 percent gain in the ETI compared to a year ago."

"May's decline in the ETI was fueled by negative contributions from six out of the eight components. From the largest negative contributor to the smallest, these were: The Percentage of Firms With Positions Not Able to Fill Right Now, Percentage of Respondents Who Say They Find "Jobs Hard to Get," Job Openings, Number of Employees Hired by the Temporary-Help Industry, Initial Claims for Unemployment Insurance, and the Ratio of Involuntarily Part-time to All Part-time Workers. Real Manufacturing and Trade Sales and Industrial Production made a positive contribution."

Conference Board Chief Economist Gad Levanon said the decline "is probably a reversion to trend after the very rapid increases in recent months . . . we expect solid job growth to continue despite the difficulty in filling job openings."

Institute for Supply Management

Tuesday, May 2018 Non-Manufacturing ISM *Report on Business*: "Economic activity in the non-manufacturing sector grew in May for the 100th consecutive month. The NMI registered 58.6 percent, which is 1.8 percentage points higher than the April reading of 56.8 percent. This represents continued growth in the non-manufacturing sector at a faster rate."

"The 14 non-manufacturing industries reported growth in May—listed in order—are: Wholesale Trade; Mining; Real Estate, Rental & Leasing; Construction; Retail Trade; Management of Companies & Support Services; Professional, Scientific & Technical Services; Transportation & Warehousing; Public Administration; Agriculture, Forestry, Fishing & Hunting; Accommodation & Food Services; Finance & Insurance; Utilities; and Other Services. The only industry reporting a decrease is Information."

Markit Economics.com

Thursday, U.S. Services Purchasing Managers' Index: "The latest IHS Markit Global Sector PMI data signaled that business activity in the wide-ranging industrials sector increased at the strongest rate in over three years in May. This was enough to offset slightly weaker rates of expansion in the seven remaining broad sectors monitored, among which technology was the fastest-growing."

"The industrials group covers a wide range of subsectors . . . Of these, commercial & professional services registered the strongest expansion, and the fastest growth among all detailed sectors monitored. The next-strongest growing sectors at the detailed level were beverages, tourism & recreation, transportation and software & services respectively." The metals & mining sector registered lower output for the second month in a row.

TACIR/MTSU Department of Economics and Finance

Tuesday, Tracking Tennessee's Economy: "Economic indicators for Tennessee show increased activity in housing construction and household spending, but with little job growth. Single-family home construction and state sales tax collections produced large gains in April as contractors laid out plans to build more homes and consumers perked up spending. On the job front, substantial gains in services-providing sectors such as professional services and tourism industries were nearly offset by weak gains in manufacturing."

Bloomberg.com

Thursday, Consumer Comfort Index: The weekly index decreased to 54.8 from 55.2. "Even with the latest results, the weekly comfort index is running only slightly below its 2018 average of 55.9, having cooled gradually from a 17-year high reached in mid-April. Rising gasoline costs are a headwind for Americans' pocketbooks, though that's being cushioned by the strong labor market. Firmer job growth helps explain why economists are projecting a pickup in second-quarter consumer spending."