

Economic Update, June 9, 2017
Submitted by Reuben Kyle

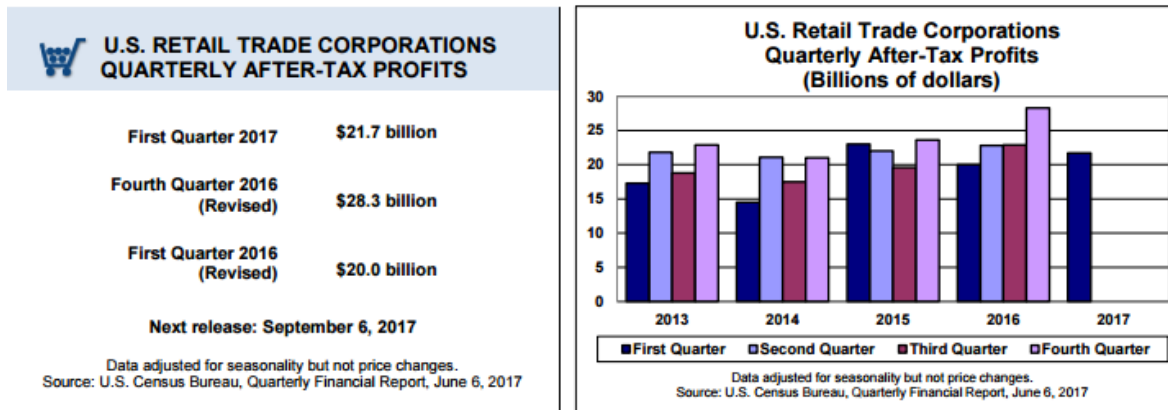
Summary: The economic news of the week indicates that the U.S. economy continues to grow, perhaps slightly slower than earlier in the year but with no sign of any problems. Labor market information continues to be strong.

Census Bureau

Monday, [Manufacturers' Shipments, Inventories, and Orders](#): In April 2017, new orders for manufactured goods decreased by 0.2%; shipments were up by less than 0.1%; unfilled orders increased by 0.2%. New orders for transportation equipment were down by 1.4%. Shipments of transportation equipment fell by 0.4% while unfilled orders for transportation equipment increased by 0.2%.

Tuesday, [Quarterly Financial Report, Manufacturing, Mining, Wholesale Trade and Selected Service Industries](#): In the 1st quarter of 2017, the after-tax profits of U.S. manufacturing corporations were \$146.5 billion, up from \$142.9 billion in Q4 2016 and by \$24.0 billion from the \$122.5 billion in Q1 2016. Nondurable goods manufacturers' profits fell by \$1.3 billion from Q4 2016 while durable goods manufacturers' profits rose by \$4.8 billion.

Tuesday, [Quarterly Financial Report, Retail Trade](#): In the 1st quarter of 2017, seasonally-adjusted retail sales declined by \$6.6 billion from \$28.3 billion in Q4 2016. The table and chart below provides more detail.



Thursday, [Quarterly Services Survey](#): In the 1st quarter of 2017, total revenues of a selected group of service providers was 1.3% below the level for the same group in the 4th quarter of 2016 but 6.3% higher than that of Q1 2016.

Friday, [Monthly Wholesale Trade, Sales and Inventories](#): Sales of merchant wholesalers in April 2017 were down 0.4% from March but up by 7.3% from April 2016. Inventories were down by 0.5% and the inventory/sales ratio was 1.28, unchanged from March.

Bureau of Labor Statistics

Monday, [Productivity and Costs](#): In the 1st quarter of 2017, nonfarm business productivity was unchanged as output increased by 1.7%, as did labor hours worked. From Q1 2016 to Q1 2017, productivity increased by 1.2%. Unit labor costs increased by 2.2% as average hourly compensation rose by 2.2% and productivity was unchanged. Manufacturing productivity increased by 0.5% as the result of a 2.6% gain in output and a 2.1% increase in labor hours worked. Unit labor costs in manufacturing rose by 2.4%.

Tuesday, [Job Openings and Labor Turnover Survey \(JOLTS\)](#): In April 2017, the number of job openings was 6.0 million, an increase of more than 250,000 from March. Hires fell by nearly the same amount to 5.1 million. Total separations—“quits, layoffs and discharges, and other separations”—dropped by 225,000 to 5.0 million. The quit rate was 2.1%, down 0.1 percentage points from March. Since April 2016, the net change in employment (hires minus separations) is a gain of 2.2 million.

Wednesday, [County Employment and Wages](#): In December of 2016, employment increased in 2,800 of the 344 largest U.S. counties compared with December 2015. Williamson County, Tennessee had the largest percentage increase, 5.1%. By comparison, the national employment growth rate was 1.2%. “The U.S. average weekly wage decreased 1.5 percent over the year, declining to \$1,067 in the fourth quarter of 2016. This is one of only eight declines in the history of the series, which dates back to 1978.” Davidson County employment increased by 3.0%, ranking 39th, and Rutherford County employment rose by 2.6%, ranking 65th. Average weekly wages in Williamson County were \$1,208 and in Davidson County \$1,163.

Friday, [Employer Costs for Employee Compensation](#): In March 2017, average hourly compensation of employees was \$35.28, of which 68.3% were in the form of wages and salaries while benefits amounted to 31.7%. In 15 metropolitan areas, “15 areas ranged from \$28.20 per hour worked in the Miami-Fort Lauderdale-Pompano Beach, FL MSA to \$53.61 per hour worked in the San Jose-San Francisco- Oakland, CA CSA.” (MSA = metropolitan statistical area and [CSA](#) = combined statistical area, which consists of two or more MSAs that have “substantial employment interchange”.)

U.S. Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance in the week ending June 3, 2017, were 245,000, down 10,000 from the previous week, and the four-week moving average was 242,000, up by 2,250 from the week before. In the week ending May 27, seven states, including Tennessee, and Puerto Rico had increased initial claims of 1,000 or more while one state had a decrease in new claims of 1,000 or more. Tennessee had 3,528 new claims and stated in explanation: “Layoffs in the administrative and support and waste management and remediation services, manufacturing, professional, scientific, and technical services, and accommodation and food services industries.”

The Conference Board

Monday, [Employment Trends Index](#): In May 2017, this index was 133.7, up from 132.77 in April, a 6.4% increase since May 2016. “While employment numbers have shown some softness in the past three months, there is no slowdown visible in the Employment Trends Index, suggesting solid job growth over the summer,” said Gad Levanon, Chief Economist, North America, at The Conference Board. “Employment will likely grow fast enough to continue tightening the labor market.”

Institute for Supply Management

Monday, [May 2017 Non-Manufacturing ISM Report on Business](#): The May NMI was 56.9%, down from 57.5% in April indicating that the non-manufacturing sector continues to expand, for the 89th consecutive month, but at a slightly slower rate. Seventeen of the 18 non-manufacturing industry sectors surveyed reported growing; only one, Educational Services, reported contracting. The table below gives the details for both the manufacturing and non-manufacturing surveys.

ISM® NON-MANUFACTURING SURVEY RESULTS AT A GLANCE COMPARISON OF ISM® NON-MANUFACTURING AND ISM® MANUFACTURING SURVEYS* MAY 2017									
	Non-Manufacturing						Manufacturing		
Index	Series Index May	Series Index Apr	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index May	Series Index Apr	Percent Point Change
NMI®/PMI®	56.9	57.5	-0.6	Growing	Slower	89	54.9	54.8	+0.1
Business Activity/Production	60.7	62.4	-1.7	Growing	Slower	94	57.1	58.6	-1.5
New Orders	57.7	63.2	-5.5	Growing	Slower	94	59.5	57.5	+2.0
Employment	57.8	51.4	+6.4	Growing	Faster	39	53.5	52.0	+1.5
Supplier Deliveries	51.5	53.0	-1.5	Slowing	Slower	17	53.1	55.1	-2.0
Inventories	54.0	52.5	+1.5	Growing	Faster	2	51.5	51.0	+0.5
Prices	49.2	57.6	-8.4	Decreasing	From Increasing	1	60.5	68.5	-8.0
Backlog of Orders	57.0	53.5	+3.5	Growing	Faster	4	55.0	57.0	-2.0
New Export Orders	54.5	65.5	-11.0	Growing	Slower	4	57.5	59.5	-2.0
Imports	48.5	53.0	-4.5	Contracting	From Growing	1	53.5	55.5	-2.0
Inventory Sentiment	63.0	60.0	+3.0	Too High	Faster	240	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	49.5	45.5	+4.0
Overall Economy				Growing	Slower	94			
Non-Manufacturing Sector				Growing	Slower	89			

* **Non-Manufacturing ISM® Report On Business®** data is seasonally adjusted for Business Activity, New Orders, Prices and Employment Indexes. **Manufacturing ISM® Report On Business®** data is seasonally adjusted for New Orders, Production, Employment and Supplier Deliveries.

** Number of months moving in current direction.

Markit Economics.com

Monday, [U.S. Services Purchasing Managers' Index](#): The May 2017 index was 53.6 compared with 53.1 in April. Chris Williamson, Chief IHS Markit Economist, writes: "Although service sector business activity picked up in May, the PMI surveys for manufacturing and services collectively indicate only a modest pace of economic growth so far in the second quarter. Historical comparisons with GDP indicate the PMI is signaling second quarter GDP growth of just over 2%, suggesting there may be some downside risks to IHS Markit's current forecast of a GDP growth rebound to just over 3% in the second quarter. However, the key message from the PMI is that the economy is enjoying steady, albeit unspectacular, growth, and that the pace of expansion has been slowly lifting higher in recent months."

TACIR/MTSU Department of Economics and Finance

Monday, [Tracking Tennessee's Economy](#): The Tennessee economic Indicators have been updated through April 2017. Dr. David Penn summarizes the data: "Sales tax collections rebounded in April, but overall growth continues to soften as evidenced by rising layoff activity and declines in construction activity and nonfarm employment. In the mid-state, low unemployment coupled with relatively high pay gains suggest supply constraints on job growth in this region." State sales tax collections totaled \$757.299 million in April 2017 compared with \$727.974 million in April 2016. The April state unemployment rate was 4.7% compared with the 4.4% for the nation.

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading is 49.9 compared with 51.2 the prior week.

Gallup.com

Monday, [Consumer Spending Measure](#): In May 2017, U.S. consumers spent an average of \$104 per day, the fourth consecutive month that this measure has been \$100 or higher. "Consumer spending remains relatively high as Americans remain more positive than negative about the state of the national economy and fewer adults are unemployed than at any time in the past 16 years. May's average is in line with a generally higher level of spending in 2017 after nearly eight years of typically sub-\$100 figures."

Tuesday, [Economic Confidence Index](#): The May 2017 index was +3, down from +5 in April and the peak of +11 in January 2017. While this index remains relatively high, "perceptions about the economy's outlook have more clearly deteriorated. In May, slightly more Americans (49%) said the economy was 'getting worse' than said it was 'getting better' (45%). The economic outlook component stood at -4 for the month, representing a slight dip from April when the component averaged -1, and it is down notably from its record high in January of +11."

Wednesday, [Job Creation Index](#): In May 2017, the Job Creation Index was +37, matching the record set in March, and marking the 15th consecutive month that the index was +30 or higher. In the May survey, "46% of employees said their company was hiring, compared with 45% in April. Meanwhile, the percentage who said their company was letting workers go held steady at 9%. Forty percent of workers said their employer was not changing the size of its workforce."