

Economic Update, September 15, 2017

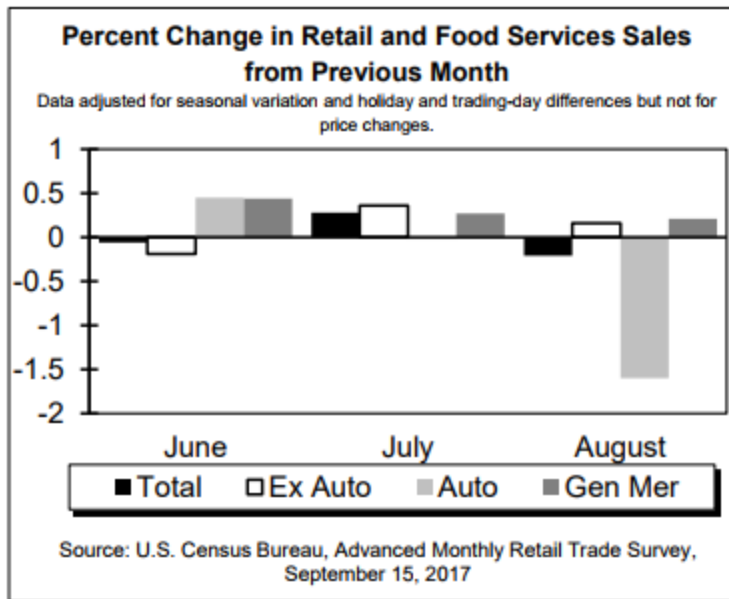
Submitted by Reuben Kyle

Summary: News coverage of the economy has been dominated by the effects of Hurricanes Harvey and Irma. Although many economic statistics do not yet reflect the effects of these storms, initial claims numbers jumped significantly last week following Harvey and will likely begin to reflect the effects of Irma next week. Otherwise, there seems to be some dichotomy in the economy with the manufacturing sector stagnating while other sectors are doing okay. Consumer confidence has slipped a little but remains very high.

Census Bureau

Tuesday, [Income, Poverty and Health Insurance Coverage in the United States: 2016](#): “The US Census Bureau announced today that real median household income increased by 3.2% between 2015 and 2016, while the official poverty rate decreased 0.8%. At the same time, the percentage of people without health insurance coverage decreased.” Median household income was \$59,039 in 2016, compared with \$57,230 in 2015. The US had 40.6 million people living in poverty in 2016—12.7% of the population—and although the poverty rate fell by 0.8% from 2015, it was not statistically different from the rate in 2007, before the Great Recession. “Real median incomes in 2016 for family households (\$75,062) and nonfamily households (\$35,761) increased 2.7% and 4.5%, respectively, from their 2015 medians. This is the second consecutive annual increase in median household income for both types of households.”

Friday, [Advance Monthly Sales of Retail and Food Services](#): Advance estimates show retail and food services sales in August 2017 decreased by 0.2% from July, though they have increased by 3.2% from August 2016. Retail sales alone decreased 0.3% in August 2017 compared with July, and non-store retail sales decreased by 1.1%. The chart below gives some detail.



Friday, [Manufacturing and Trade, Inventories and Sales](#): In July 2017, the combined sales of distributive trade sales and manufacturers' shipments increased by 0.2% from June and by 4.9% from July 2016. Inventories increased by 0.2% for the month and 3.0% year-over-year. The inventory/sales ratio was 1.38, unchanged from June but down slightly from July 2016 (1.40).

Bureau of Labor Statistics

Tuesday, [Job Openings and Labor Turnover Survey \(JOLTS\)](#): In July 2017, the number of job openings (6.2 million) was little changed from June, as were the number of hires (5.5 million) and the number of separations (5.3 million). Industry sectors with sizeable changes in the number of openings included "transportation, warehousing, and utilities" with 70,000 more openings, "health care and social assistance" with 72,000 fewer openings, and "state and local government, excluding education" with 46,000 fewer openings.

Wednesday, [Producer Price Index \(PPI\)](#): In August 2017, the PPI for final demand rose by 0.2%, after a 0.1% decline in July and a 0.1% increase in June. The index for goods alone increased 0.5%, while the index for services increased 0.1%. Over the previous 12-month period, the index for goods and services increased by 2.4%; excluding food, energy, and trade, it increased 1.9%.

Thursday, [Consumer Price Index \(CPI\)](#): In August 2017, the CPI for All Urban Consumers increased by 0.4% and is up 1.9% since August 2016. The latest increase is primarily the result of a 6.3% increase in the gasoline index and a 0.4% increase in the

index for “services less energy services,” which includes shelter (0.5% increase), transportation services (0.4% increase), and medical care services (0.2% increase).

Thursday, [Real Earnings](#): Given the 0.4% increase in the CPI, the 0.1% increase in average hourly earnings resulted in a 0.3% decrease in real average hourly earnings in August 2017. In the case of production and nonsupervisory workers, the 0.3% decrease in real average hourly earnings resulted from the 0.2% increase in average hourly earnings being offset by the 0.5% rise in the CPI for Urban Wage Earners and Clerical Workers.

Friday, [State Employment and Unemployment](#): In August 2017, the unemployment rate decreased in one state, increased in eight states, and was stable in 41 states and the District of Columbia. Nonfarm payroll employment increased in six states, decreased in three, and was “essentially unchanged” in 41 states and the District of Columbia. (“Hurricane Harvey had no discernible effect on the employment and unemployment data for August. Household survey data collection was completed before the storm. Establishment survey data collection for this news release was largely completed prior to the storm, and collection rates were within normal ranges nationally and for the affected areas.”) North Dakota had the lowest unemployment rate at 2.3%, while Alaska had the highest at 7.2%. [Tennessee](#)’s unemployment rate decreased from 3.4% in July to 3.3% in August, the lowest statewide unemployment rate ever recorded for Tennessee. The state’s total nonfarm employment increased by 8,200 jobs in August; construction added 2,200 jobs, while manufacturing lost 300. Compared with a year-earlier, Tennessee has added 52,200 nonfarm jobs, and both construction and manufacturing employment are up. Government employment in Tennessee fell by 1,200 in August.

US Department of Labor

Thursday, [Initial Claims](#): In the week ending September 9, 2017, new claims for unemployment insurance decreased by 14,000 to 284,000, while the four-week moving average increased by 13,000 to 263,250. These figures were affected by Hurricanes Harvey and Irma. For the week ending September 2, two states reported increases of 1,000 or more new claims—including an increase of 51,683 initial claims in Texas—while three states reported decreases of 1,000 or more; Tennessee reported an increase of 108 new claims over the previous week.

US Department of Transportation

Wednesday, [July 2017 Freight Transportation Services Index](#): The index reading in July was 128.2, up by 1.4% from June and the highest level since the index was

started in 2000. “The July increase in the Freight TSI was driven by gains in trucking, pipeline and water, while rail carloads decreased, and air freight and rail intermodal were stable.” Year-to-date the index is up by 2.8%.

Board of Governors of the Federal Reserve

Friday, [Industrial Production](#): In August 2017, industrial production declined by 0.9%. “Hurricane Harvey, which hit the Gulf Coast of Texas in late August, is estimated to have reduced the rate of change in total output by roughly 3/4 percentage point.” Construction production fell by 0.6%, and manufacturing production decreased by 0.3%. Capacity utilization in August was 76.1%, down 0.8% from July (76.9%) and 3.8% from the long-term average of 79.9%.

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading is 51.9 down from 52.6 the previous week.

University of Michigan

Friday, [Consumer Sentiment Index](#): The mid-September index stands at 95.3 compared with 96.8 at the end of August. “Consumer confidence edged downward in early September due to concerns over the outlook for the national economy. Consumers’ assessments of current economic conditions improved, however, with the Current Conditions Index reaching the highest level since November of 2000. The two hurricanes had a greater impact on expected economic conditions. Across all interviews in early September, 9% spontaneously mentioned concerns that Harvey, Irma, or both, would have a negative impact on the overall economy. Among those who mentioned the hurricanes, the Sentiment Index was 80.2, while among those who did not spontaneously mention either hurricane, the Sentiment Index remained unchanged from last month at 96.8. Given the widespread devastation in Texas and Florida, it is not surprising to find these very negative initial reactions, nor would it be surprising if these negative assessments last longer than following most past hurricanes.”