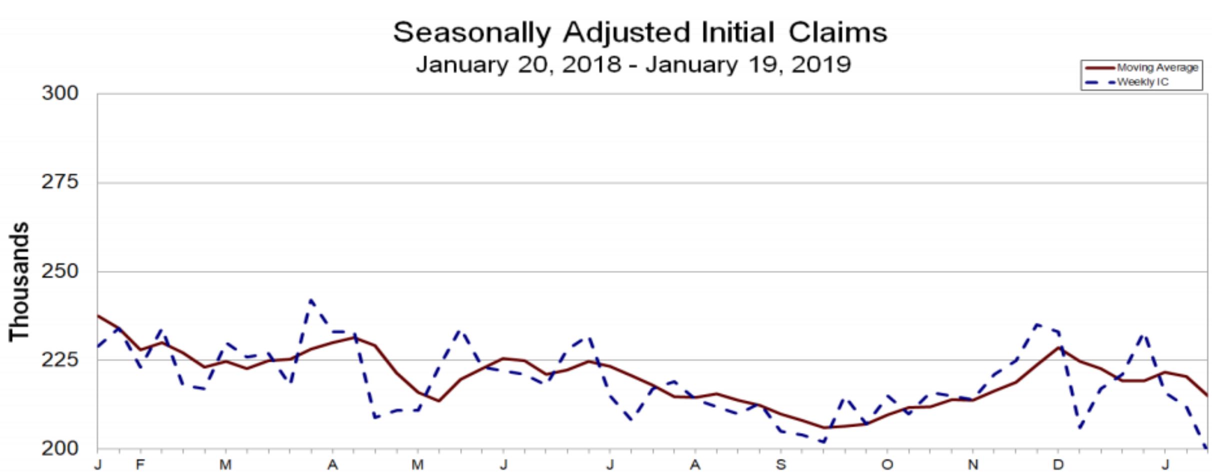
Economic Update, January 25, 2019
Submitted by Dave Keiser

Summary: Indicators are mixed this week. While unemployment continues to be at record lows, home sales and mortgage applications are down. Some economists think 2019 will be just as strong as 2018, but others think the economy is going to slow down. Lack of federal data makes it difficult to measure the economy, and Americans are becoming more pessimistic about the economy, according to a recent poll by Gallup, though there is a growing partisan divide on the issue. Gallup also provides a bit of historical perspective: "While it is impossible to know what effect the federal shutdown has had on perceptions of the economy, it is a fact that a 16-day shutdown in October 2013 coincided with drops in public confidence in the economy. The decline in confidence disappeared within a few months, however. With that in mind, it may turn out that the future of the unemployment rate and the stock market will have far more bearing than the shutdown on whether Americans' views on their nation's economy turn sour over the rest of 2019."

Note: Updated Census data (New Residential Sales; Manufacturers' Shipments, Inventories, and Orders; and Economic Indicators) and Bureau of Economic Analysis data (both state and national Gross Domestic Product) were not released this week because of the federal government shutdown.

Department of Labor

Thursday, Initial Claims: "In the week ending January 19, the advance figure for seasonally adjusted initial claims was 199,000, a decrease of 13,000 from the previous week's revised level. This is the lowest level for initial claims since November 15, 1969 when it was 197,000. The previous week's level was revised down by 1,000 from 213,000 to 212,000. The 4-week moving average was 215,000, a decrease of 5,500 from the previous week's revised average. The previous week's average was revised down by 250 from 220,750 to 220,500."



Federal Reserve

Thursday, National Financial Conditions Index: The index "edged down to –0.78 in the week ending January 18. Risk indicators contributed –0.30, credit indicators contributed –0.32, and leverage indicators contributed –0.15 to the index in the latest week."

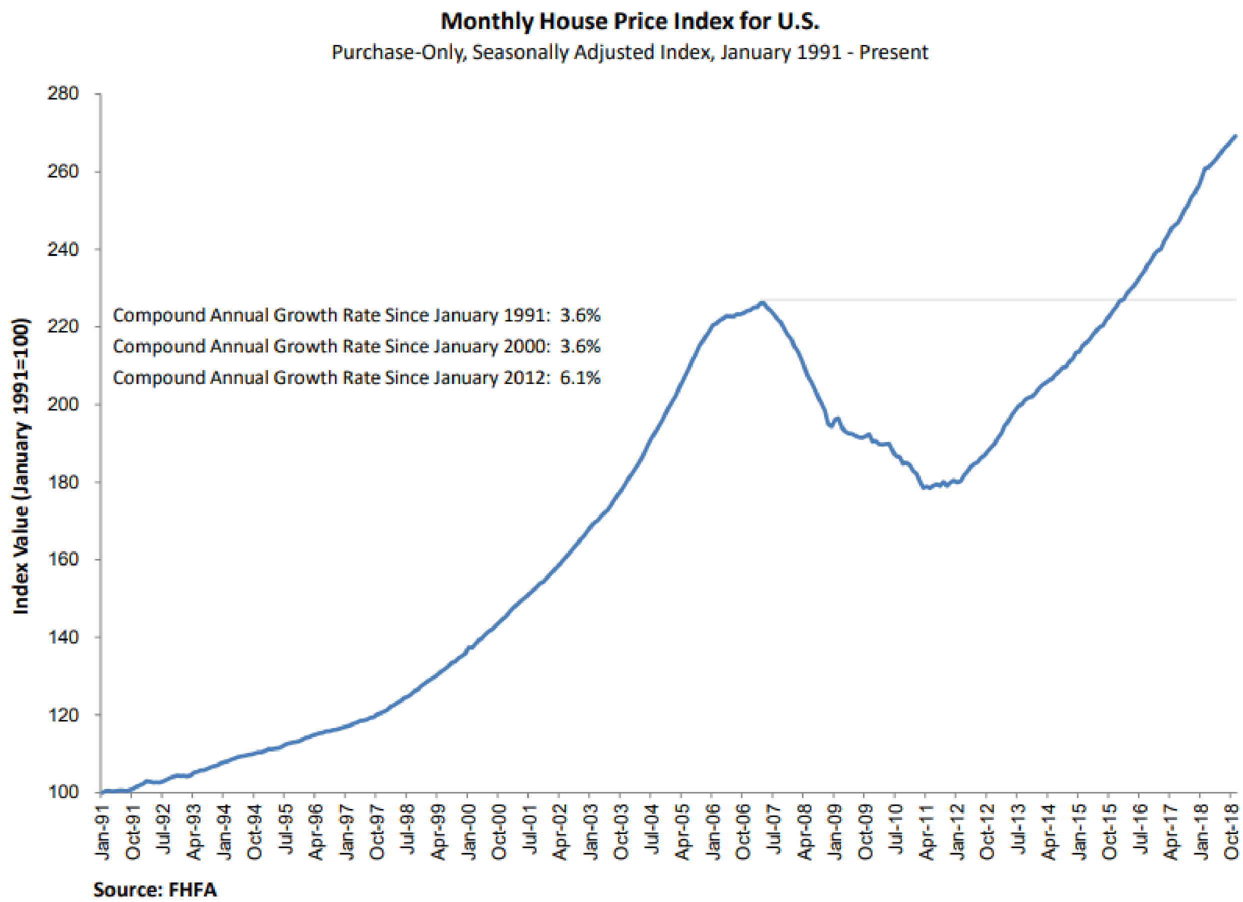
Mortgage Bankers Association

Wednesday, Mortgage Applications: "The Market Composite Index, a measure of mortgage loan application volume, decreased 2.7 percent on a seasonally adjusted basis from one week earlier.

On an unadjusted basis, the Index decreased 0.3 percent compared with the previous week. The Refinance Index decreased 5 percent from the previous week. The seasonally adjusted Purchase Index decreased 2 percent from one week earlier. The unadjusted Purchase Index increased 4 percent compared with the previous week and was 13 percent higher than the same week one year ago."

Federal Housing Finance Agency

Wednesday, House Price Index: The index "reported a 0.4 percent increase in U.S. house prices in November from the previous month. . . . The previously reported 0.3 percent increase in October was revised to reflect a 0.4 percent increase."

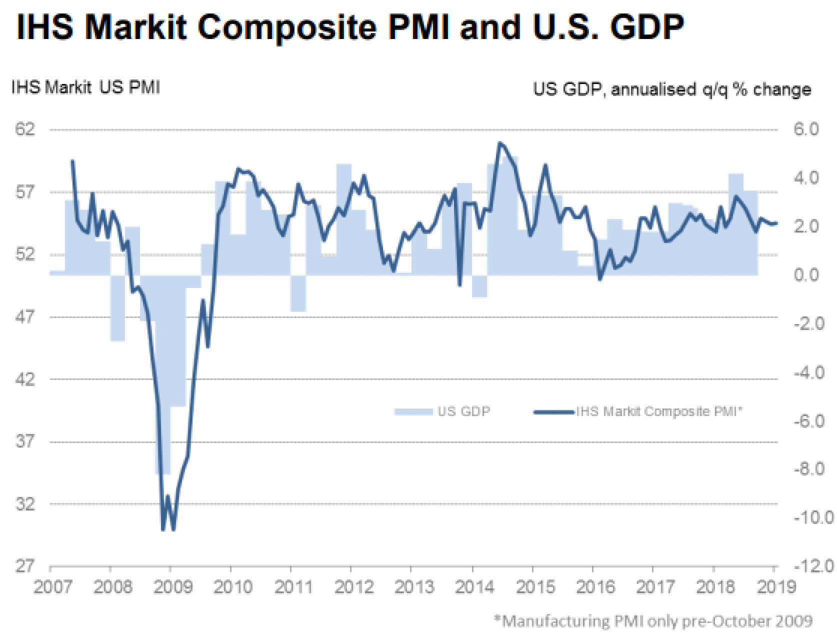


National Association of Realtors

Tuesday, Existing Home Sales: "After two consecutive months of increases, existing-home sales declined in the month of December. . . . Total existing-home sales, completed transactions that include single-family homes, townhomes, condominiums and co-ops, decreased 6.4 percent from November to a seasonally adjusted rate of 4.99 million in December. Sales are now down 10.3 percent from a year ago (5.56 million in December 2017)."

IHS Markit

Thursday, Purchasing Manager's Index: "January's survey data indicated a solid start to the year for U.S. private sector companies, with output growth maintained at a broadly similar pace to that seen through the final quarter of 2018. Manufacturing remained a bright spot as production volumes expanded at the fastest pace for eight months. Service providers signaled a sustained upturn in business activity during January, but the rate of growth eased to a four-month low.”



Sources: IHS Markit, U.S. Bureau of Economic Analysis.

Conference Board

Thursday, [Leading Economic Index (LEI)](): The index “for the U.S. declined 0.1 percent in December to 111.7 (2016 = 100), following a 0.2 percent increase in November, and a 0.3 percent decline in October. ‘The US LEI declined slightly in December and the recent moderation in the LEI suggests that the US economic growth rate may slow down this year,’ said Ataman Ozyildirim, Director of Economic Research at The Conference Board. ‘While the effects of the government shutdown are not yet reflected here, the LEI suggests that the economy could decelerate towards 2 percent growth by the end of 2019.’”