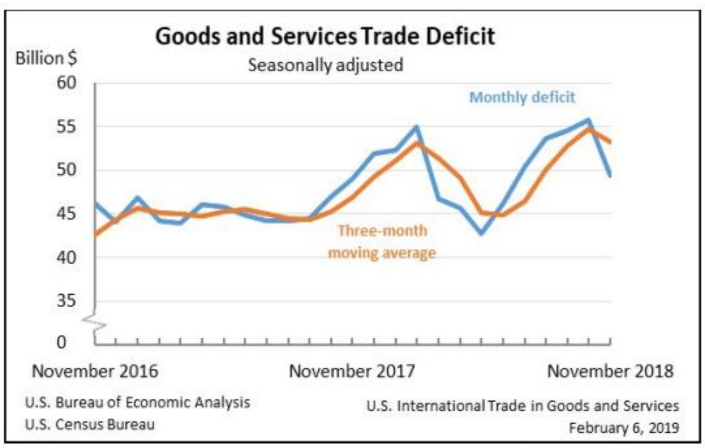
Economic Update, February 8, 2019
Submitted by Bob Moreo

Summary: On Thursday, James Bullard, president and CEO of the Federal Reserve Bank of St. Louis, reinforced the previous week's Federal Open Market Committee (FOMC) decision to hold interest rates steady, saying that "market-based signals such as low market-based inflation expectations and a threatening yield curve inversion suggest that the FOMC needs to tread carefully going forward." There is optimism from the mortgage industry that low interest rates will lead to a strong spring for homebuyers. According to Sam Khater, Freddie Mac's chief economist, "the U.S. economy remains on solid ground, inflation is contained and the threat of higher short-term rates is fading from view, which has allowed mortgage rates to drift down to their lowest level in 10 months. This is great news for consumers who will be looking for homes during the upcoming spring home-buying season." Joel Kan, Associate Vice President of Industry Surveys and Forecasts at the Mortgage Bankers Association, said that "moderating price gains and the strong job market, including evidence of faster wage growth, should help purchase growth going forward." (For more on wage growth, see the Federal Reserve Bank of Atlanta's Wage Growth Tracker, updated February 8, 2019.)

Census Bureau

Monday, Manufacturers' Shipments, Inventories, and Orders: "New orders for manufactured goods in November, down two consecutive months, decreased $3.1 billion or 0.6 percent to $499.2 billion. . . . This followed a 2.1 percent October decrease. Shipments, down two consecutive months, decreased $3.2 billion or 0.6 percent to $505.1 billion. This followed a 0.1 percent October decrease. Unfilled orders, down two consecutive months, decreased $1.8 billion or 0.1 percent to $1,181.5 billion. This followed a 0.2 percent October decrease. The unfilled orders-to-shipments ratio was 6.60, down from 6.68 in October."

Wednesday, U.S. International Trade in Goods and Services: "[T]he goods and services deficit was $49.3 billion in November, down $6.4 billion from $55.7 billion in October, revised. November exports were $209.9 billion, $1.3 billion less than October exports. November imports were $259.2 billion, $7.7 billion less than October imports."



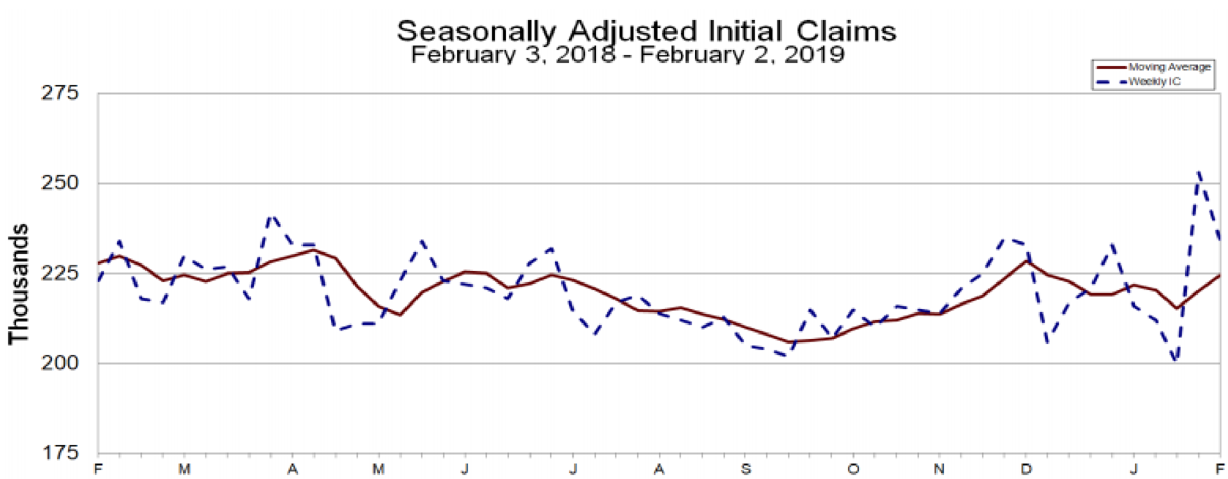
Bureau of Labor Statistics

Wednesday, Productivity and Costs: "Manufacturing sector labor productivity increased 1.3 percent during the fourth quarter of 2018 . . . as output increased 2.3 percent and hours worked increased 1.0 percent. . . . From the fourth quarter of 2017 to the fourth quarter of 2018, manufacturing productivity increased 0.7 percent, reflecting a 2.8-percent increase in output and a 2.1-percent increase in hours worked. . . . Annual average productivity increased 0.6 percent from 2017 to 2018."

Friday, Major Work Stoppages, 2018: "In 2018, there were 20 major work stoppages involving 485,000 workers . . . the highest since 2007 (21 major work stoppages). The number of workers involved was the highest since 1986 (533,000 workers). Educational services and health care and social assistance industry groups accounted for over 90 percent of all workers idled in 2018."

Department of Labor

Thursday, Initial Claims: "In the week ending February 2, the advance figure for seasonally adjusted initial claims was 234,000, a decrease of 19,000 from the previous week's unrevised level of 253,000. The 4-week moving average was 224,750, an increase of 4,500 from the previous week's unrevised average of 220,250."

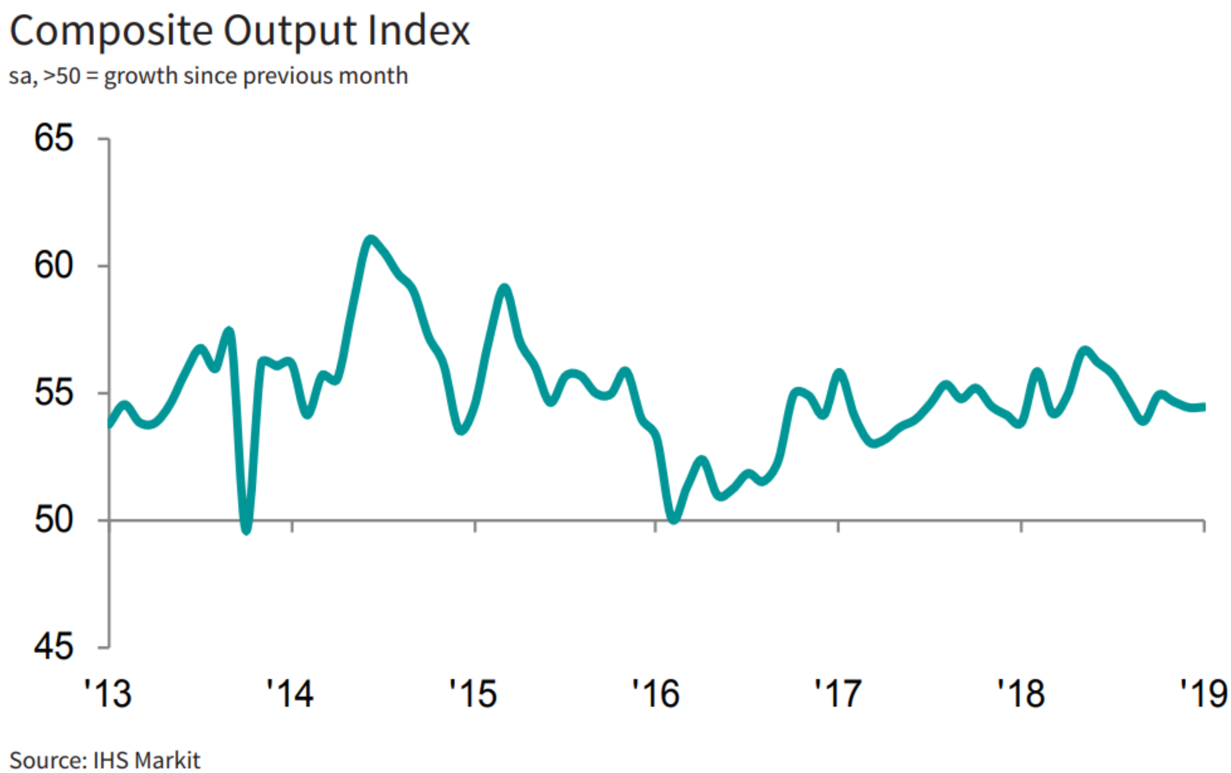


ISM

Tuesday, Non-manufacturing Index: The index "registered 56.7 percent, which is 1.3 percentage points lower than the December reading of 58 percent. This represents continued growth in the non-manufacturing sector, at a slower rate. The Non-Manufacturing Business Activity Index decreased to 59.7 percent, 1.5 percentage points lower than the December reading of 61.2 percent, reflecting growth for the 114th consecutive month, at a slower rate in January."

IHS Markit Economics

Tuesday, U.S. Services Business Activity Index and Composite PMI Output Index: The U.S. Services Business Activity Index "registered 54.2 in January, down slightly from 54.4 in December. . . . The rate of expansion was the softest for four months and weaker than both the series trend and the average seen in 2018. . . . Business activity expectations picked up in January, with the degree of optimism rising since December. . . . The Composite PMI Output Index [a weighted average of the US Manufacturing PMI Output Index updated Friday, February 1 and the U.S. Services Business Activity Index] posted 54.4 in January, matching that seen in December. The solid expansion was nonetheless one of the weakest seen in the last year and below the average seen in 2018. . . . Commenting on the PMI data, Chris Williamson, Chief Business Economist at IHS Markit, said: 'The robust economic growth signaled by the US PMI surveys at the start of the year sits in stark contrast to the near-stalling of growth seen in Europe, China and Japan. . . . Jobs growth remained buoyant as business optimism perked up to its highest since October. . . . However, although still robust, the rates of economic growth, job creation and inflation signaled by the PMI surveys have cooled since peaks seen last year.'"



Mortgage Bankers Association

Wednesday, Mortgage Applications: "The Market Composite Index, a measure of mortgage loan application volume, decreased 2.5 percent on a seasonally adjusted basis from one week earlier. On an unadjusted basis, the Index increased 12 percent compared with the previous week. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($484,350 or less) decreased to 4.69 percent from 4.76 percent."

Freddie Mac

Thursday, Primary Mortgage Market Survey: "[The] 30-year fixed-rate mortgage (FRM) averaged 4.41 percent with an average 0.4 point for the week ending February 7, 2019, down from last week when it averaged 4.46 percent. A year ago at this time, the 30-year FRM averaged 4.32 percent."

Investor's Business Daily

Tuesday, Economic Optimism: "The IBD/TIPP Economic Optimism Index slid two points to 50.3 in early February, the lowest since October 2017. The government shutdown helped drag the overall index lower, as confidence in federal economic policies fell to the lowest point in more than a year. The six-month economic outlook gauge also took another tumble, sliding deeper into pessimistic territory. That's despite a stock market rally in January and the end of the government shutdown."