

Economic Update, July 26, 2019
Submitted by Michael Mount

Summary: Advanced estimates of GDP growth in the second quarter of 2019 (2.1%) were lower than in the first quarter (3.1%), and indicators of economic activity are slightly below the long-term trend (see chart below). From the fourth quarter of 2018 to the first quarter of 2019, Tennessee's GDP growth (2.4%) was behind the national average (see map below). Initial claims for unemployment insurance decreased, and core business investment continued to grow. The Federal Reserve interest rate decision, expected to be a cut, is next week.

US Census

Wednesday, [New Home Sales](#): "Sales of new single-family houses in June 2019 were at a seasonally adjusted annual rate of 646,000. . . . This is 7.0 percent above the revised May rate of 604,000 and is 4.5 percent above the June 2018 estimate of 618,000."

Thursday, [Durable Goods](#): "New orders for manufactured durable goods in June increased \$4.9 billion or 2.0 percent to \$246.0 billion." New orders for nondefense capital goods, excluding aircraft, (core business investment) increased 1.9%.

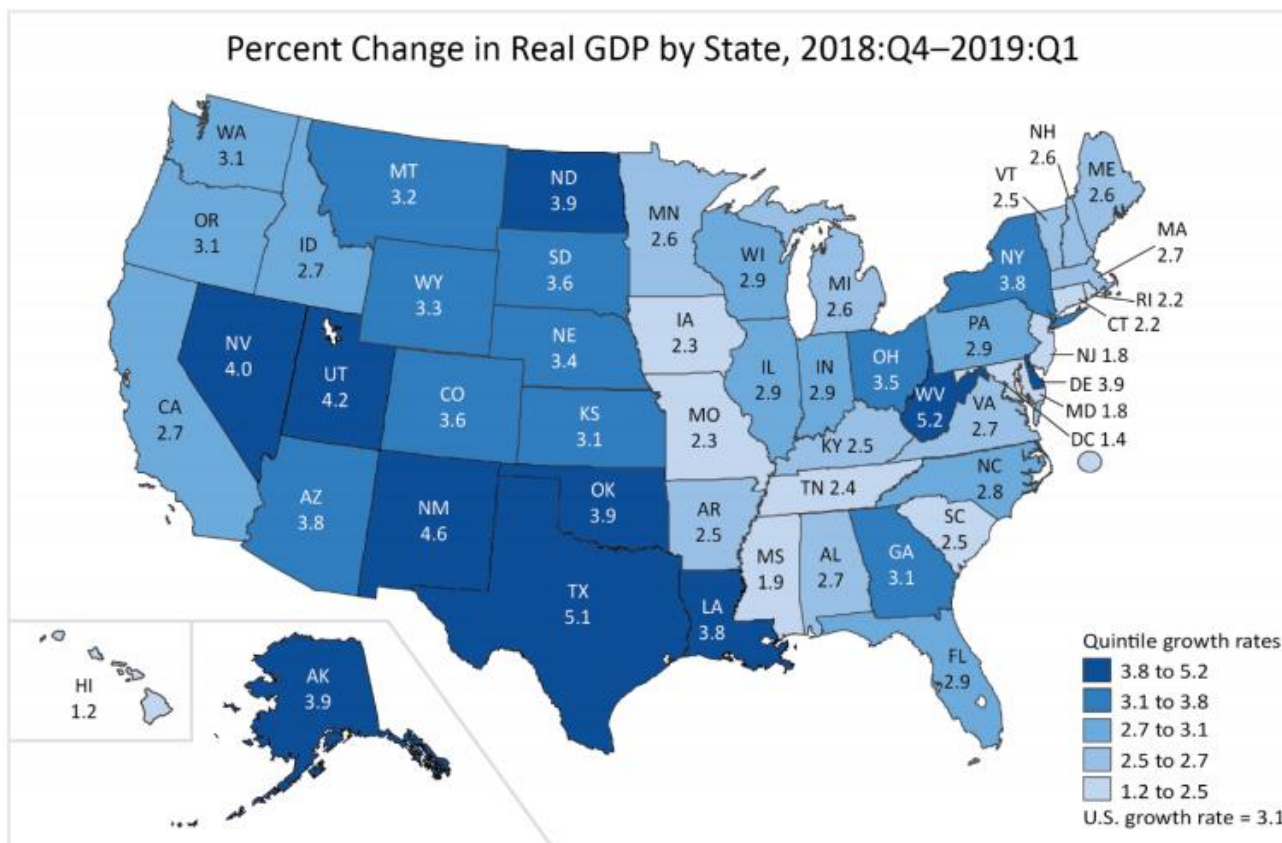
Thursday, [Economic Indicators](#): "The international trade deficit was \$74.2 billion in June, down \$0.9 billion from \$75.0 billion in May. . . . Wholesale inventories for June . . . were estimated at an end-of-month level of \$680.0 billion, up 0.2 percent. . . . Retail inventories for June . . . were estimated at an end-of-month level of \$662.4 billion, down 0.1 percent from May 2019."

Thursday, [Rental Vacancy and Homeownership](#): "The rental vacancy rate of 6.8 percent was virtually unchanged from the rate in the second quarter 2018 and not statistically different from the rate in the first quarter 2019 (7.0 percent). . . . The homeownership rate of 64.1 percent was not statistically different from the rate in the second quarter 2018 (64.3 percent) nor from the rate in the first quarter 2019 (64.2 percent)."

Bureau of Economic Analysis

Wednesday, [Direct Investment](#): "The U.S. direct investment abroad position, or cumulative level of investment, decreased \$62.3 billion to \$5.95 trillion at the end of 2018 from \$6.01 trillion at the end of 2017. . . . The foreign direct investment in the United States position increased \$319.1 billion to \$4.34 trillion at the end of 2018 from \$4.03 trillion at the end of 2017."

Thursday, [GDP by State](#): "Real gross domestic product (GDP) increased in all 50 states and the District of Columbia in the first quarter of 2019," ranging "from 5.2 percent in West Virginia to 1.2 percent in Hawaii." Tennessee's growth, at 2.4%, trailed the national rate of 3.1%.



U.S. Bureau of Economic Analysis

Friday, [GDP Growth](#): “Real gross domestic product (GDP) increased at an annual rate of 2.1 percent in the second quarter of 2019. . . . In the first quarter, real GDP increased 3.1 percent.”

Bureau of Labor Statistics

Wednesday, [Business Employment](#): “The difference between the number of gross job gains and the number of gross job losses yielded a net employment gain of 814,000 jobs in the private sector during the fourth quarter of 2018.” In Tennessee, 149,515 gross job gains exceeded 125,914 losses for the quarter, resulting in a net gain of 23,601 jobs.

Thursday, [Productivity and Cost—Trade and Food Service Industries](#): “Labor productivity rose 1.6 percent in wholesale trade, 3.2 percent in retail trade, and 1.6 percent in food services and drinking places in 2018. . . . Unit labor costs, which reflect the total labor costs required to produce a unit of output, rose in wholesale trade and food services and drinking places and were unchanged in retail trade.”

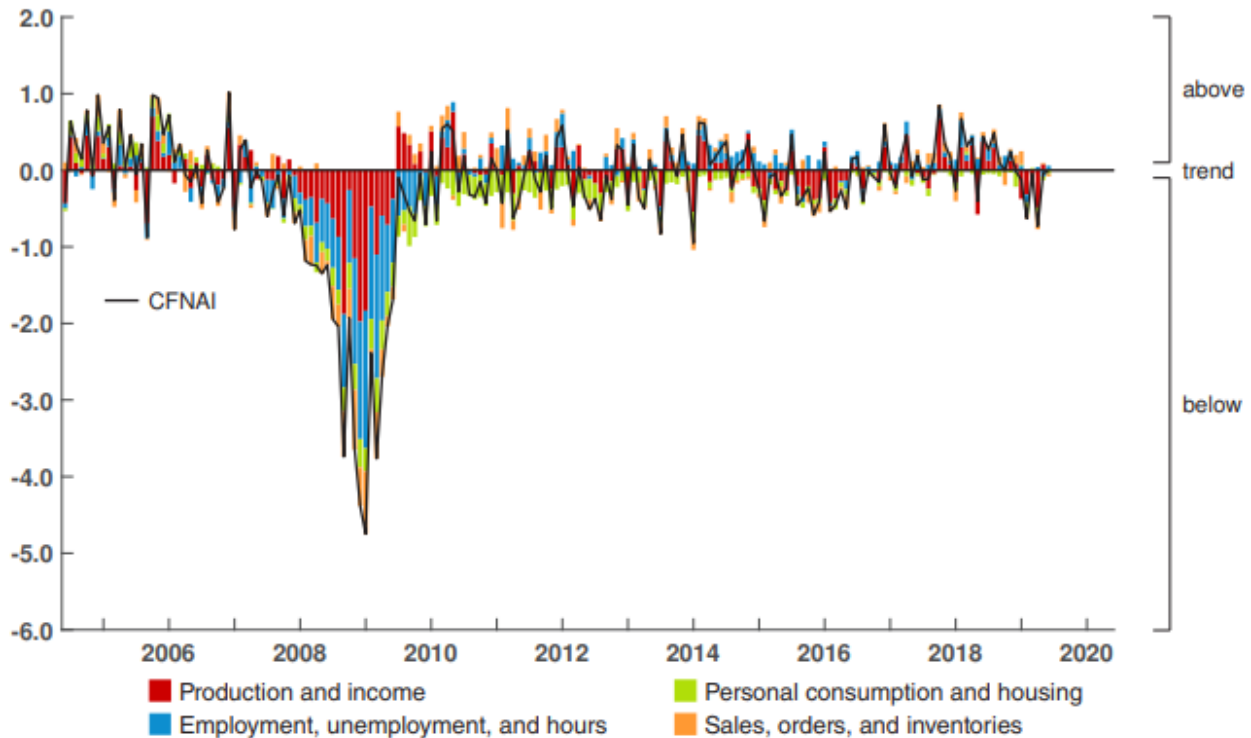
Department of Labor

Thursday, [Initial Claims](#): “In the week ending July 20, the advance figure for seasonally adjusted initial claims was 206,000, a decrease of 10,000 from the previous week’s unrevised level of 216,000. The 4-week moving average was 213,000.”

Federal Reserve

Monday, [National Activity Index](#): “The Chicago Fed National Activity Index (CFNAI) ticked up to –0.02 in June from –0.03 in May,” pointing to economic growth slightly below the historical trend.

Chicago Fed National Activity Index, by Categories



Federal Housing Finance Agency

Tuesday, [House Price Index](#): “U.S. house prices rose in May, up 0.1 percent from the previous month. . . . From May 2018 to May 2019, house prices were up 5.0 percent.” The compound annual growth rate since January 2012 is 6.0 percent, and the twelve-month change from May 2017 to May 2018 had been an increase of 6.8 percent.

National Association of Realtors

Tuesday, [Existing-Home Sales](#): “Existing-home sales weakened in June.” Sales “dropped 1.7% from May to a seasonally adjusted annual rate of 5.27 million in June.” Lawrence Yun, NAR’s chief economist, says the nation is in the midst of a housing shortage and much more inventory is needed.

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 1.9 percent from one week earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$484,350 or less) decreased to 4.08 percent from 4.12 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to 3.45 percent from 3.48 percent.”

IHS Markit

Wednesday, [Purchasing Managers’ Index](#): “At 51.6 in July,” the index “edged up from 51.5 in June and remained higher than the three-year low recorded during May,” signaling “only a modest expansion of private sector output.” Stronger service sector growth helped offset manufacturing downturn in July.