

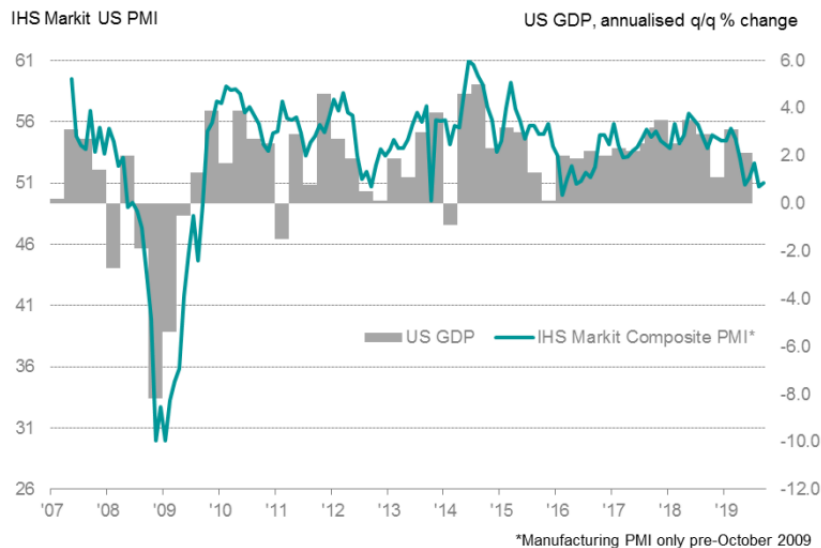
Economic Update, September 27, 2019  
Submitted by Bob Moreo

Summary: There were signs this week that U.S. economic output continues to grow, while the European outlook worsens. Unemployment remains near 50-year lows, and personal income and GDP continue to increase albeit at slower rates in the second quarter. Low interest rates are translating into new home purchases and investment in multifamily construction. Following a 7.1 percent gain in August, new home sales for 2019 are 6.4 percent higher than the same period in 2018, according to the federal government. “With job growth continuing and lower interest rates in place, builders report rising confidence levels, and this is reflected in today’s solid sales report,” [said Greg Ugalde](#), chairman of the National Association of Home Builders. Links with information on negotiations between General Motors and the United Auto Workers are at the end of the update.

IHS Markit

Monday, [Flash U.S. Composite PMI](#): The index increased to 51.0 in September from 50.7 in August. “Private sector output increased in September, with the rate of expansion slightly faster than the three-and-a-half year low seen during August. The latest survey revealed modest rises in both service sector activity and manufacturing production. . . . Subdued business activity growth reflected a continued soft patch for client demand during September, with some survey respondents linked to less favorable underlying economic conditions. Moreover, the rate of private sector new business growth was the weakest since the series began in October 2009.” Index readings greater than 50.0 indicate an increase in economic activity from the previous month.

**IHS Markit Composite PMI and U.S. GDP**



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

Monday: [Flash Eurozone Composite PMI](#): “The IHS Markit Eurozone Composite PMI fell to 50.4 in September . . . down from 51.9 in August to signal the weakest expansion of output across manufacturing and services since June 2013. The slowdown was driven by new orders for goods and services falling for the first time since January, dropping at the sharpest rate since June 2013.” Chris Williamson, Chief Business Economist at HIS Markit said, “The Eurozone economy is close to stalling as a deepening manufacturing downturn shows further signs of spreading to the services sector.”

## Federal Reserve Board

Monday, [Chicago Fed National Activity Index](#): “Led by improvements in production-related indicators, the Chicago Fed National Activity Index rose to +0.10 in August from -0.41 in July. All four broad categories of indicators that make up the index increased from July, but three of the four categories [employment, unemployment, and hours; personal consumption and housing; sales, orders, and inventories] made negative contributions to the index in August. The index’s three-month moving average . . . edged up to -0.06 in August from -0.14 in July.” Positive index values are associated with growth above the national historical average, while negative values are associated with below average growth.

Monday, [New York Fed Labor Market Survey](#): “The results of the July 2019 SCE Labor Market Survey show a year-over-year rise in employer-to-employer transitions and a slight uptick in transitions to unemployment. However, we don’t observe an increase in the expected likelihood of moving into unemployment in the next four months. The survey results continue to provide evidence that increased competition for labor among employers has led to wage gains for workers, but this competition doesn’t seem to have triggered increases in non-wage benefits.”

Thursday, [Vice Chair Richard H. Clarida \(Speech\)](#): At an event sponsored by the Federal Reserve Bank of San Francisco, Federal Reserve Board Vice Chair Richard Clarida said, “Unemployment rate is near a 50-year low, and inflation is running close to our 2 percent objective.” Since the Global Financial Crisis, “neutral interest rates appear to have fallen in the United States . . . increas[ing] the likelihood that a central bank’s policy rate will hit its effective lower bound in future economic downturns. That development, in turn, could make it more difficult during downturns for monetary policy to support spending and employment and to keep inflation from falling too far below the 2 percent objective.” Clarida emphasized, “U.S. inflation expectations today do reside in a range I consider consistent with our price-stability mandate.”

## The Conference Board

Tuesday, [U.S. Consumer Confidence Survey](#): “The Index now stands at 125.1, down from 134.2 in August. . . . ‘Consumer confidence declined in September, following a moderate decrease in August,’ said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. ‘Consumers were less positive in their assessment of current conditions and their expectations regarding the short-term outlook also weakened. The escalation in trade and tariff tensions in late August appears to have rattled consumers. However, this pattern of uncertainty and volatility has persisted for much of the year and it appears confidence is plateauing. While confidence could continue hovering around current levels for months to come, at some point this continued uncertainty will begin to diminish consumers’ confidence in the expansion.’”

## S&P CoreLogic

Tuesday, [Case-Shiller Home Price Index](#): “Data released today for July 2019 shows that the rate of home price increases across the U.S. continues to slow.” The National Index “reported a 3.2% annual gain in July, remaining the same from the previous month. . . . ‘Year-over-year home prices continued to gain, but at ever more modest rates,’ says Philip Murphy, Managing Director and Global Head of Index Governance at S&P Dow Jones Indices. ‘. . . Home price gains remained positive in low single digits in most cities, and other fundamentals indicate renewed housing demand. According to the National Association of Realtors, the [year-over-year] change in existing home sales was positive in July for the first time in a number of months, and housing supply tightened since peaking in June.’”

Bureau of Economic Analysis

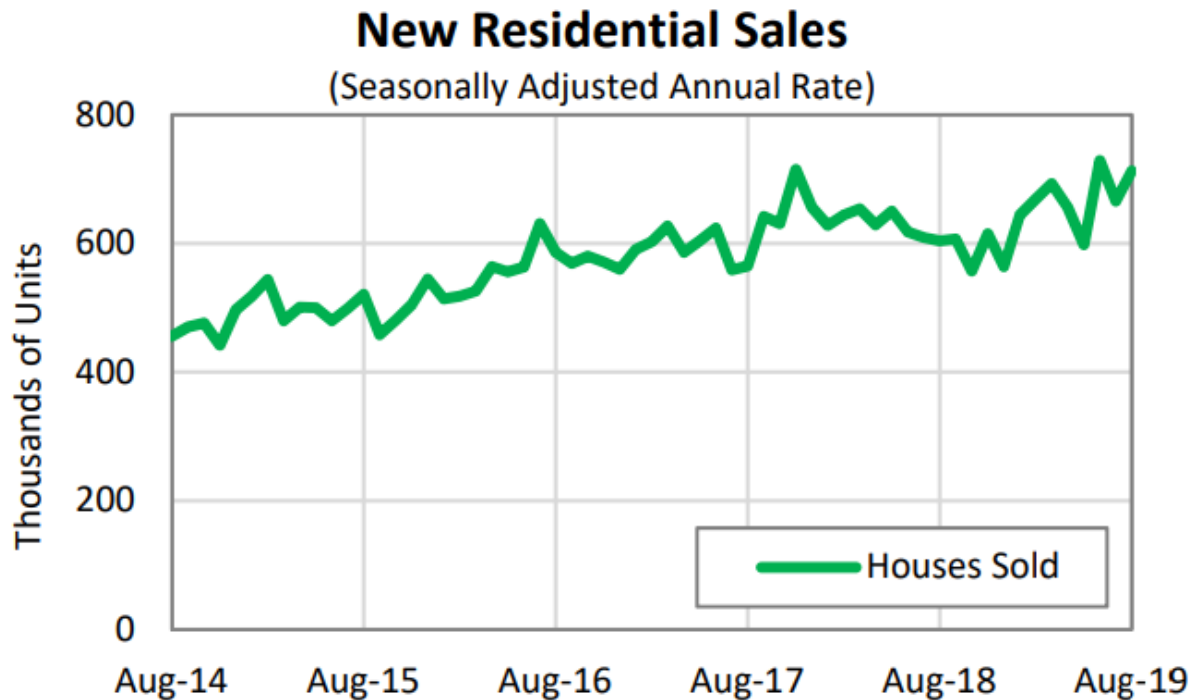
Tuesday, [State Quarterly Personal Income](#): “State personal income increased 5.4 percent at an annual rate in the second quarter of 2019, a deceleration from the 6.2 percent increase in the first quarter. . . . The percent change in personal income across all states ranged from 7.5 percent in Texas to unchanged in North Dakota.” Personal income in Tennessee grew by 5.0 percent.

Thursday, [Gross Domestic Product and Corporate Profits](#): “Real gross domestic product (GDP) increased at an annual rate of 2.0 percent in the second quarter of 2019. . . . In the first quarter, real GDP increased 3.1 percent. . . . The deceleration in real GDP in the second quarter primarily reflected downturns in inventory investment, exports, and nonresidential fixed investment.”

Friday, [Personal Income](#): “Personal income increased \$73.5 billion (0.4 percent) in August. . . . Disposable personal income (DPI) increased \$77.7 billion (0.5 percent) and personal consumption expenditures (PCE) increased \$20.1 billion (0.1 percent). Real DPI increased 0.4 percent in August and Real PCE increased 0.1 percent. The PCE price index increased less than 0.1 percent. Excluding food and energy, the PCE price index increased 0.1 percent.”

Census Bureau

Wednesday, [New Residential Sales](#): “Sales of new single-family houses in August 2019 were at a seasonally adjusted annual rate of 713,000 . . . 7.1 percent above the revised July rate of 666,000 [and] 18.0 percent above the August 2018 estimate of 604,000. The median sales price of new houses sold in August 2019 was \$328,400. The average sales price was \$404,200. The seasonally-adjusted estimate of new houses for sale at the end of August was 326,000 . . . represent[ing] a supply of 5.5 months at the current sales rate.”



Source: U.S. Census Bureau, HUD, September 25, 2019

Thursday, [Advance Economic Indicators Report \(International Trade, Retail, & Wholesale\)](#): “The international trade deficit was \$72.8 billion in August, up \$0.4 billion from \$72.5 billion in July. Exports

of goods for August were \$137.8 billion, \$0.2 billion more than July exports. Imports of goods for August were \$210.6 billion, \$0.5 billion more than July imports. Wholesale inventories for August . . . were estimated at an end-of-month level of \$681.9 billion, up 0.4 percent from July 2019, and were up 6.4 percent from August 2018. . . . Retail inventories . . . were estimated at an end-of-month level of \$667.2 billion, virtually unchanged from July 2019, and were up 3.9 percent from August 2018.”

Friday, [Advance Report on Durable Goods](#): New orders for manufactured durable goods in August increased \$0.5 billion or 0.2 percent to \$250.7 billion. . . . This increase, up three consecutive months, followed a 2.0 percent July increase. Excluding transportation, new orders increased 0.5 percent. Excluding defense, new orders decreased 0.6 percent. Fabricated metal products, up four of the last five months, led the increase, \$0.4 billion or 1.3 percent to \$34.4 billion.”

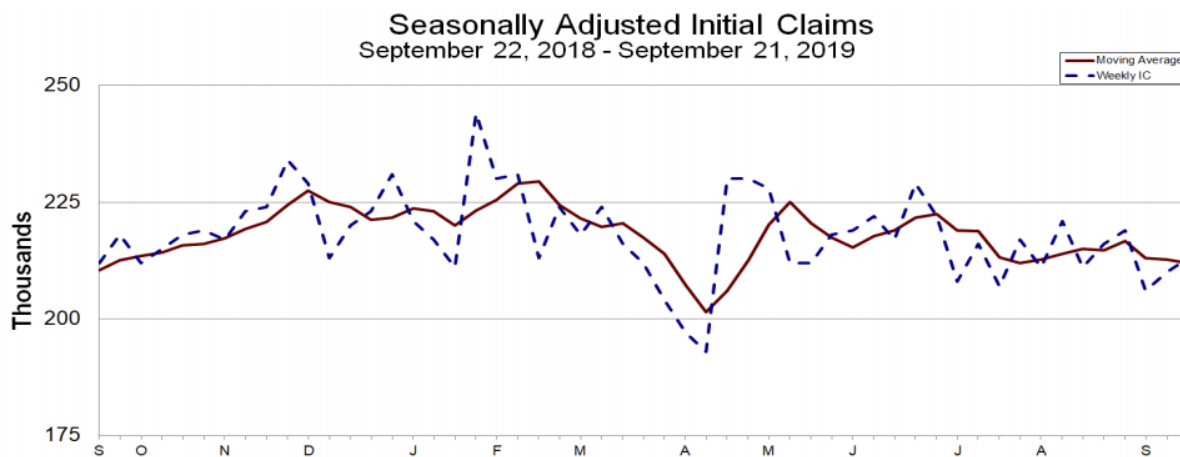
Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications decreased 10.1 percent from one week earlier, according to [survey] data . . . for the week ending September 20, 2019.” Despite falling U.S. Treasury yields, “mortgage rates ticked up again and have risen 20 basis points over the past two weeks,” said Joel Kan, MBA’s Associate Vice President of Economic and Industry Forecasting. “The increase in rates led to fewer refinances, and activity has now dropped 17 percent over the last two weeks.” Added Kan, “Purchase applications also decreased, likely related to the two-week jump in rates, but still remained 9 percent higher than last year. The recent data on increased existing-home sales and new residential construction points to the underlying strength in the purchase market this fall.”

Thursday, [Annual Report on Multifamily Lending](#): “Favorable market conditions helped spur a 19 percent increase in multifamily lending in 2018 to a new high in dollar volume. . . . Last year, 2,669 different multifamily lenders provided a record \$339.2 billion in new mortgages for apartment buildings with five or more units.” Jamie Woodwell, MBA’s Vice President of Commercial Research and Economics, said, “We’ve seen these trends continue throughout 2019 and expect multifamily borrowing and lending will rise again both this year and next.”

U.S. Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending September 21, the advance figure for seasonally adjusted initial claims was 213,000, an increase of 3,000 from the previous week’s revised level. . . . The 4-week moving average was 212,000, a decrease of 750 from the previous week’s revised average.”



## National Association of Realtors

Thursday, [Pending Home Sales](#): “Pending home sales increased in August, a welcome rebound after a prior month of declines. . . . Each of the four major regions reported both month-over-month growth and year-over-year gains in contract activity.” According to Lawrence Yun, NAR chief economist, “buyers are responding to exceptionally low interest rates.” The association is forecasting home sales to rise 0.6% in 2019 and another 3.4% in 2020.

## Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “[A] 30-year fixed-rate mortgage averaged 3.64 percent with an average 0.6 point for the week ending September 26, 2019, down from last week when it averaged 3.73 percent. A year ago at this time, the 30-year FRM averaged 4.72 percent.” Sam Khater, Freddie Mac’s Chief Economist, says, “With both the unemployment rate and mortgage rate below four percent and near historic lows, it is no surprise that the housing market regained momentum with home sales and construction at or near decade highs. The fall housing market is poised to continue with steady gains in prices and solid sales activity.”

## University of Michigan

Friday, [Index of Consumer Sentiment](#): The index increased to 93.2 in September 2019 from 89.8 in August 2019, though it posted a year-over-year decrease of almost 7 percent. “Consumer sentiment continued to post small increases throughout September due to more favorable income trends, especially among middle income households. The overall trends in the Sentiment Index remain quite favorable, but show signs of a slow erosion.”

## UAW-GM Update

On Thursday, [The Tennessean reported](#) that “after 10 days of tension on the picket lines at the General Motors plant in Spring Hill, striking workers received word of progress Wednesday.” UAW members with GM have been on strike since September 16 after the two sides failed to reach a deal by a September 14 deadline, according to [CNBC, which reported that](#) “it is the union’s first national strike against the automaker since a two-day work stoppage in 2007 and the longest national strike since the 1970s.”