

Economic Update, November 17, 2017  
Submitted by Michael Mount

Summary: Economic news was good this week, with better than expected manufacturing production and retail sales. Tennessee's per capita personal income grew faster from 2015 to 2016 than the national average, and year-over-year, the state was second for declines in unemployment rates (Alabama was first). I found the Atlanta Fed Business Inflation Expectations survey interesting.

Census Bureau

Wednesday, [Advance Monthly Sales for Retail and Food Services](#): "Advance estimates of U.S. retail and food services sales for October 2017, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$486.6 billion, an increase of 0.2 percent from the previous month, and 4.6 percent above October 2016. Total sales for the August 2017 through October 2017 period were up 4.3 percent from the same period a year ago. The August 2017 to September 2017 percent change was revised from up 1.6 percent to up 1.9 percent. Retail trade sales were up 0.2 percent from September 2017, and were up 4.7 percent from last year. Building Materials and Garden Equipment and Supplies Dealers were up 8.8 percent from October 2016, while Gasoline Stations were up 7.5 percent from last year."

Wednesday, [Manufacturing and Trade: Inventories and Sales](#): "The combined value of distributive trade sales and manufacturers' shipments for September, adjusted for seasonal and trading-day differences but not for price changes, was estimated at \$1,389.7 billion, up 1.4 percent from August 2017 and was up 6.4 percent from September 2016. Manufacturers' and trade inventories, adjusted for seasonal variations but not for price changes, were estimated at an end-of-month level of \$1,888.7 billion, virtually unchanged from August 2017, but were up 3.5 percent from September 2016. The total business inventories/sales ratio based on seasonally adjusted data at the end of September was 1.36. The September 2016 ratio was 1.40."

Friday, [New Residential Construction](#): This report was better than expected. "Privately-owned housing units authorized by building permits in October were at a seasonally adjusted annual rate of 1,297,000. This is 5.9 percent above the revised September rate of 1,225,000 and is 0.9 percent above the October 2016 rate of 1,285,000. Single-family authorizations in October were at a rate of 839,000; this is 1.9 percent above the revised September figure of 823,000. Authorizations of units in buildings with five units or more were at a rate of 416,000 in October. Privately-owned housing starts in October were at a seasonally adjusted annual rate of 1,290,000. This is 13.7 percent above the revised September estimate of 1,135,000, but is 2.9 percent below the October 2016 rate of 1,328,000. Single-family housing starts in October were at a rate of 877,000; this is 5.3 percent above the revised September figure of 833,000. The October rate for units in buildings with five units or more was 393,000."

Friday, [Advance Services Report](#): "Advance U.S. selected services total revenue for the third quarter of 2017, not adjusted for seasonal variation or price changes, was \$3,720.3 billion, an increase of 1.2 percent from the second quarter of 2017 and up 5.3 percent from the third quarter of 2016. The first quarter of 2017 to second quarter of 2017 percentage change was revised from the preliminary estimate of 3.2 percent to 3.0 percent."

Friday, [Retail E-Commerce Sales](#): "U.S. retail e-commerce sales for the third quarter of 2017, adjusted for seasonal variation, but not for price changes, was \$115.3 billion, an increase of 3.6 percent from the second quarter of 2017. Total retail sales for the third quarter of 2017 were estimated at \$1,268.9 billion, an increase of 1.1 percent from the second quarter of 2017. The third quarter 2017 e-commerce estimate increased 15.5 percent from the third quarter of 2016 while total retail sales

increased 4.3 percent in the same period. E-commerce sales in the third quarter of 2017 accounted for 9.1 percent of total sales.”

Bureau of Labor Statistics

Tuesday, [Producer Price Index \(PPI\)](#): Producer prices increased more than expected in October. The index for final demand increased 0.4 percent in October, seasonally adjusted. “Final demand prices advanced 0.4 percent in September and 0.2 percent in August. . . . Almost half of the rise in the final demand goods index was the result of higher prices for pharmaceutical preparations, which increased 2.1 percent. The indexes for industrial chemicals, fresh and dry vegetables, diesel fuel, beef and veal, and tobacco products also advanced. Conversely, prices for gasoline fell 4.6 percent. The indexes for light motor trucks and pork also moved lower.”

Wednesday, [Consumer Price Index \(CPI\)](#): The Consumer Price Index for All Urban Consumers rose 0.1 percent in October on a seasonally adjusted basis. Over the last 12 months, the all items index rose 2.0 percent, the Federal Reserve’s target for inflation.

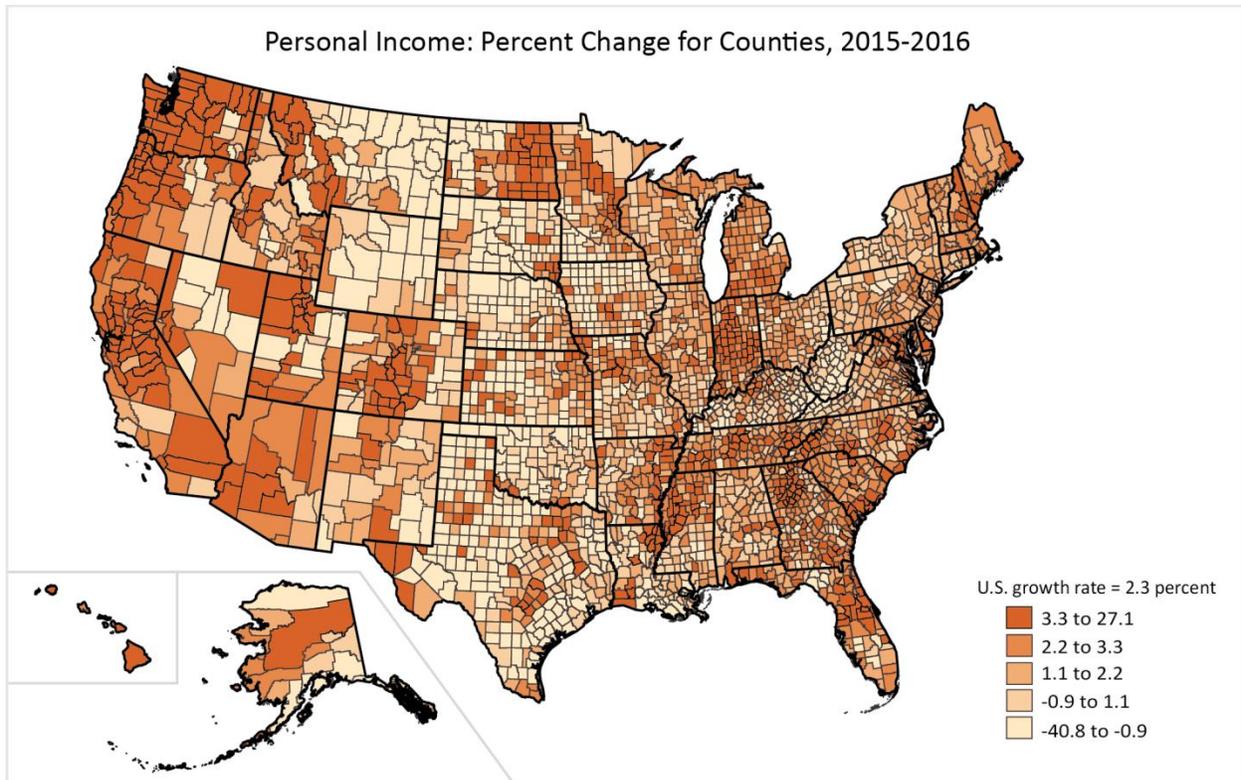
Wednesday, [Real Earnings](#): “Real average hourly earnings for all employees decreased 0.1 percent from September to October, seasonally adjusted. . . . This result stems from no change in average hourly earnings combined with a 0.1-percent increase in the Consumer Price Index for All Urban Consumers.”

Thursday, [U.S. Import and Export Price Indexes](#): U.S. import prices, led by fuel, increased 0.2 percent in October after increasing 0.8 percent in September. U.S. export prices recorded no change in October, with agriculture, especially vegetables, offsetting decreases in non-agricultural exports. Export prices increased 0.7 percent in September.

Friday, [State Employment and Unemployment Summary](#): “The national unemployment rate edged down to 4.1 percent in October and was 0.7 percentage point lower than a year earlier. . . . Twenty-three states had unemployment rate decreases from October 2016. The largest declines occurred in Alabama and Tennessee (-2.5 percentage points and -2.0 points, respectively). The only over-the-year rate increases were in the District of Columbia (+0.8 percentage point) and Alaska and South Dakota (+0.6 point each).”

Bureau of Economic Analysis

Thursday, [Local Area Income](#): “Personal income grew in 2016 in 2,285 counties, fell in 795, and was unchanged in 33. . . . On average, personal income rose 2.5 percent in 2016 in the metropolitan portion of the United States and rose 1.0 percent in the nonmetropolitan portion.” Personal income in Tennessee grew 3.7 percent, and per capita income increased from \$42,128 to \$43,326 (2.8 percent). U.S. per capita income increased 1.6 percent to \$49,246. This report is used for TACIR’s fiscal capacity calculation.



U.S. Bureau of Economic Analysis

U.S. Department of Labor

Thursday, [Initial Claims](#): “In the week ending November 11, the advance figure for seasonally adjusted initial claims was 249,000, an increase of 10,000 from the previous week’s unrevised level of 239,000. The 4-week moving average was 237,750, an increase of 6,500 from the previous week’s unrevised average of 231,250.”

National Federation of Independent Business

Tuesday, [Small Business Optimism Index](#): “More small business owners last month said they expect higher sales and think that now is a good time to expand. . . . ‘Owners became much more positive about the economic environment last month, which suggests a longer-run view,’ said NFIB Chief Economist Bill Dunkelberg. ‘In the nearer term, they are more optimistic about real sales growth and improved business conditions through the end of the year.’”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “The Market Composite Index, a measure of mortgage loan application volume, increased 3.1 percent on a seasonally adjusted basis from one week earlier. On an unadjusted basis, the Index increased 2 percent compared with the previous week. The Refinance Index increased 6 percent from the previous week to its highest level since October 2017. The seasonally adjusted Purchase Index increased 0.4 percent from one week earlier. The unadjusted Purchase Index decreased 3 percent compared with the previous week and was 17 percent higher than the same week one year ago.”

## Federal Reserve

Wednesday, [Atlanta Fed Business Inflation Expectations](#): “Firms' inflation expectations increased to 2.0 percent over the year ahead. Sales levels improved somewhat, and profit margins were roughly unchanged over the month.” The special question added to this month’s survey was “If passed in its current form, what would be the likely impact of the Tax Cuts and Jobs Act on your capital investment and hiring plans?”

Thursday, [Industrial Production](#): “Industrial production rose 0.9 percent in October, and manufacturing increased 1.3 percent. The index for utilities rose 2.0 percent, but mining output fell 1.3 percent, as Hurricane Nate caused a sharp but short-lived decline in oil and gas drilling and extraction. Even so, industrial activity was boosted in October by a return to normal operations after Hurricanes Harvey and Irma suppressed production in August and September. Excluding the effects of the hurricanes, the index for total output advanced about 0.3 percent in October, and the index for manufacturing advanced about 0.2 percent.”

## Bloomberg

Thursday, [Consumer Comfort Index](#): “Optimism about the direction of the U.S. economy improved to a three-month high in November as sentiment remained supported by a robust job market and steady growth.” The Index improved to 52.1 from 51.5 last week.

## National Association of Home Builders

Tuesday, [Housing Market Index](#): “Builder confidence in the market for newly-built single-family homes rose two points to a level of 70 in November. . . . This was the highest report since March and the second highest on record since July 2005. ‘November’s builder confidence reading is close to a post-recession high—a strong indicator that the housing market continues to grow steadily,’ said NAHB Chairman Granger MacDonald, a home builder and developer from Kerrville, Texas. ‘However, our members still face supply-side constraints, such as lot and labor shortages and ongoing building material price increases.’”

## TACIR/MTSU Tracking Tennessee’s Economy

Last Thursday, [Economic Indicators](#): “Job growth continues in Tennessee but at a growth rate that continues to move lower. Both single-family construction and sales tax collections have moderated. Initial claims for unemployment insurance are level, but the unemployment rate dipped to a new low due to employment gains.”