

Economic Update, December 23, 2016  
Submitted by Reuben Kyle

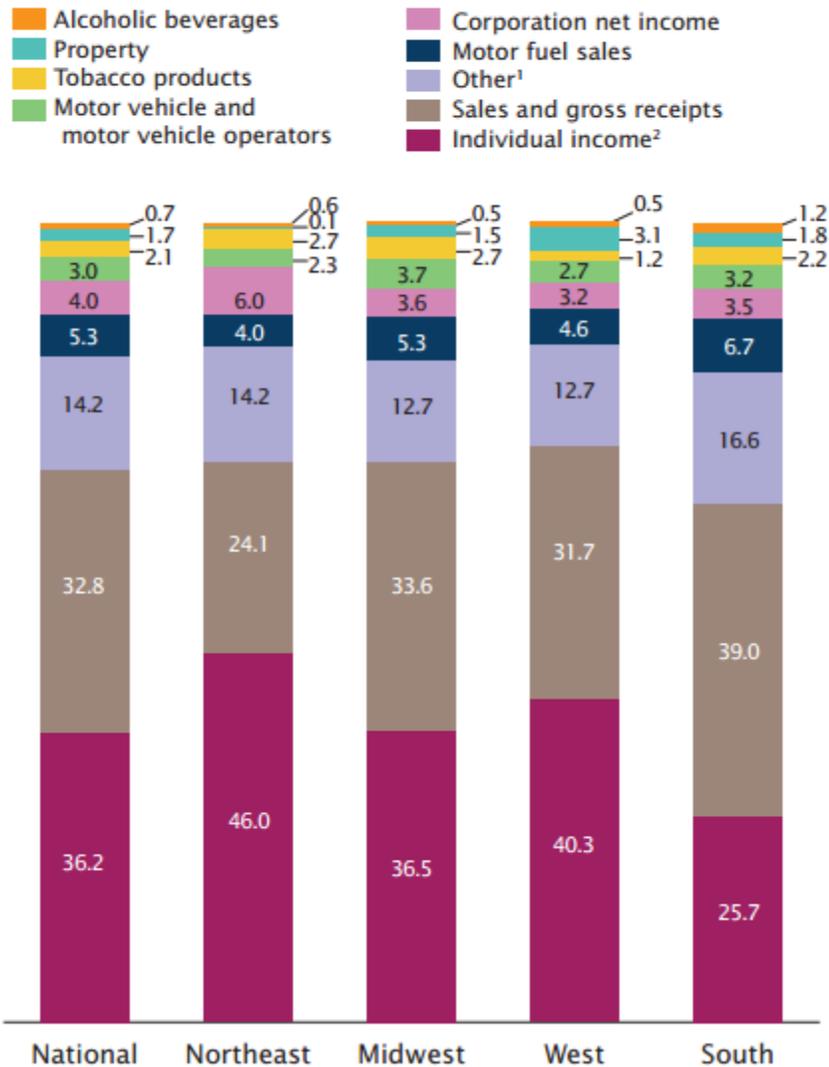
Summary: The economic news of the week indicated slow activity, though the economy is still growing. The 3<sup>rd</sup> quarter GDP growth rate was a robust 3.5% but there won't be a report on the 4<sup>th</sup> quarter until the end of January. Housing market numbers are strong, and the year-end consumer confidence reports were very strong. Otherwise, this week's numbers are modest. An [October Gallup survey](#) found that U.S. consumers plan to spend nearly the same as the previous year, which was a record. A survey by the [National Retail Federation](#) reports that 156 million Americans anticipate shopping tomorrow, "Super Saturday." I'm not but I hope everyone has a great Christmas and weekend.

Census Bureau

Tuesday, [Quarterly Summary of State and Local Government Tax Revenues](#): In the 3<sup>rd</sup> quarter of 2016, the four largest categories of state and Local government revenues increased by 2.2% over the same period in 2015. The graph below shows the share of revenue by type of tax and region.

Figure 3.

### Distribution of State Government Revenue by Type of Tax for Nation and Census Regions: 2016 Q3



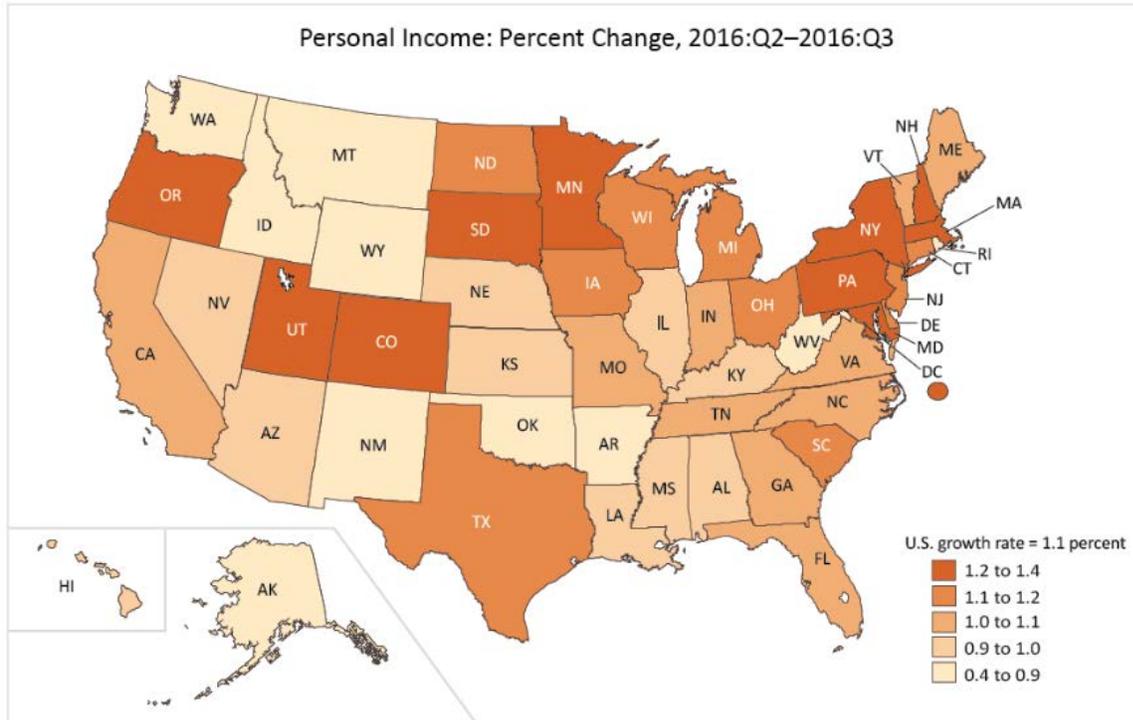
Thursday, [Advance Report on Durable Goods Manufacturers' Shipments, Inventories, and Orders](#): In November 2016, new orders for manufactured durable goods fell by 4.6% prompted by a 13.2% decline in transportation equipment. Excluding transportation equipment new orders increased by 0.5%. Shipments rose by 0.1% led by a 1.7% increase in primary metals. Unfilled orders declined by 0.2% and inventories increased by 0.1%. For nondefense capital goods, new orders, shipments, and unfilled orders all decreased while inventories rose. In the case of defense capital goods, new orders, shipments, and unfilled orders all increased and inventories fell.

Friday, [New Residential Sales](#): In November 2016, the sales of single-family houses increased by 5.2% from October and by 16.5% from November 2015. The median sales price was \$305,400 while the

average— they mean the arithmetic mean—price was \$359,900. At the current sales rate there is a supply of 5.1 months of housing available.

Bureau of Economic Analysis

Tuesday, [State Quarterly Personal Income, 3<sup>rd</sup> Quarter 2016](#): State personal income grew by 1.1% in Q3 2016 down from 1.2% in Q2 2016. The map below shows the growth by state. Tennessee’s growth rate was 1.0%, up from 0.7% in Q2.



U.S. Bureau of Economic Analysis

Thursday, [Gross Domestic Product, 3<sup>rd</sup> Quarter 2016 \(third estimate\)](#): Based on “more complete source data” inflation-adjusted GDP grew by 3.5% in the 3<sup>rd</sup> quarter and that revision is up from the 3.2% rate in the 2<sup>nd</sup> estimate. “With this third estimate for the third quarter, nonresidential fixed investment, personal consumption expenditures (PCE), and state and local government spending increased more than previously estimated, but the general picture of economic growth remains the same...” Corporate profits increased by \$117.8 billion in Q3 compared with a decline of \$12.5 in Q2. (The advance estimate of 4<sup>th</sup> quarter GDP growth will be released on January 27, 2017.)

Thursday, [Personal Income and Outlays, November 2016](#): Personal income increased by \$1.6 billion, or less than 0.1%, disposable personal income (DPI) was unchanged from October, while inflation-adjusted DPI fell by 0.1%. Personal consumption expenditures (PCE) rose by 0.2% and real PCE by 0.1%. From November 2015 through November 2016 the PCE Price Index rose by 1.4%. The personal savings rate was 5.5% in November.

U.S. Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance in the week ending December 17, 2016 increased by 21,000 to 275,000 and the four-week moving average rose by 6,000 to 263,750. In the previous week, ending December 10, one state reported an increase of 1,000 or more initial

claims and 10 states reported decreases of 1,000 or more. Tennessee reported a decrease of 141 new claims.

#### Federal Housing Finance Agency (FHFA)

Thursday, [FHFA House Price Index](#): In October 2016, U.S house prices rose by 0.4% from September and from October 2015 through October 2016, the index was up by 6.2%. (If you have a chance look at the Tennessee Housing Report, reported below, for a comparison with state housing price changes. In the 3<sup>rd</sup> quarter of 2016, prices in the Nashville-Davidson County-Murfreesboro-Franklin MSA were up by more than 10%.)

#### Federal Funds Information for States (FFIS)

Wednesday, State Policy Reports (Sorry, I can't provide a link.): This issue covers reports on high school graduation rates and state spending. The first topic is from a U.S. Department of Education publication and shows Tennessee ranking 10<sup>th</sup> with a high school graduation rate in 2102-2013 of 86% compared to the national average of 81%. Iowa, at 90%, had the highest rate and the District of Columbia the lowest at 62%. Idaho did not report a rate. From a publication by the National Association of State Budget Officers, from Fiscal Year 2015 to Fiscal Year 2016 Tennessee ranked 14<sup>th</sup> with a change in state spending of 5.4% with Idaho ranking first with a 14.1% increase and Alaska ranking 50<sup>th</sup> with a decline of 29.3%. Twelve states experienced declines in state spending over that period.

#### National Association of Realtors

Wednesday, [Existing Home Sales](#): In November 2016, sales of existing homes, on a seasonally-adjusted annual basis, were 5.61 million, an increase of 0.7% from October and 15.4% higher than in November 2015. The November rate was the highest since February 2007. According to Lawrence Yun, Chief NAR Economist, "it's been an outstanding three-month stretch for the housing market as 2016 nears the finish line. 'The healthiest job market since the Great Recession and the anticipation of some buyers to close on a home before mortgage rates accurately rose from their historically low level have combined to drive sales higher in recent months,...Furthermore, it's no coincidence that home shoppers in the Northeast — where price growth has been tame all year — had the most success last month."

#### The Conference Board

Thursday, [Leading Economic Indicators](#) (LEI): In November 2016, the LEI was unchanged from October at 124.6 (2010=100). "The U.S. Leading Economic Index continued on an upward trend through 2016, although at a moderate pace of growth," said Ataman Ozyildirim, Director of Business Cycles and Growth Research at The Conference Board. "The underlying trends in the LEI suggest that the economy will continue expanding into the first half of 2017, but it's unlikely to considerably accelerate. Although the industrial and construction indicators held the U.S. LEI back in November, the weakness was offset by improvements in the interest rate spread, initial unemployment insurance claims, and stock prices." The Coincident Economic Indicator increased by 0.1% in November and is at 114.6 (2010=100).

#### Markit Economics

Monday, [PMI Services Flash](#): In the preliminary December 2016 report, the Services Index dropped slightly from 54.6 to 53.4 but there was "an acceleration in job growth." Chris Williamson, Chief Markit Economist, observed: "Although service sector growth cooled in December, the PMI surveys indicate that the economy continued to show solid, steady growth at the end of the year. The surveys are consistent with GDP rising at an annualised rate of 2.0% in the fourth quarter, fuelled mainly by improving domestic demand."

#### Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading is 46.7 up from 45.5 the prior week. "The Bloomberg Consumer Comfort Index reached a new 2016 peak for the second week in a

row this week, extending its winning streak to nine weeks, its best run since spring 2015. Expectations advanced to their most positive in nearly two years.”

University of Michigan

Friday, [Consumer Sentiment Index](#): The final December 2016 index reading was 98.2 compared with 93.8 in November and 92.6 in December 2015. This year-end index was the highest since January 2004.

MTSU/Business & Economic Research Center

Wednesday, [Tennessee Housing Report](#): This report covers the 3<sup>rd</sup> Quarter of 2016 and covers homeowner vacancy rates —down, housing construction—up, real estate transactions and mortgage tax collections—both up, home sales in the largest MSAs—all up but very low inventories available, home prices for all 10 Tennessee MSAs, and mortgage delinquencies and foreclosures—both down.