

Economic Update, August 12, 2016

Submitted by Reuben Kyle

Summary: The economic news for the week indicates that the US economy continues to move along at its modest pace with no real negative indicators in this week's reports. Manufacturing appeared to perk up some, the number of job openings and hirings increased a bit, the freight index rose, initial claims fell, and the monthly WSJ survey of economic forecasters is cautious but positive. Consumer confidence measures were mixed but relatively stable.

Census Bureau

Tuesday, [Monthly Wholesale Trade, Sales and Inventories](#): In June 2016, sales by merchant wholesalers rose 1.9% from May but were 0.4% lower than in June 2015. Inventories also increased 0.3% in June compared with May and were up 0.2% from June 2015. The inventory/sales ratio was 1.33, down from 1.35 in May.

Friday, [Advance Monthly Sales for Retail and Food Services](#): The preliminary report for July 2016 estimates retail and food service sales was unchanged from June and 2.3% higher than in July 2015.

Friday, [Manufacturing and Trade, Inventories and Sales](#): In June 2016, distributive trade sales and manufacturers' shipments were up 1.2%, above May figures but 0.6% below those of June 2015. Inventories rose 0.2% for the month and 0.5% year over year. The inventory/sales ratio was 1.39, down from 1.40 in May.

Bureau of Labor Statistics

Tuesday, [Productivity and Costs](#): In the 2nd quarter of 2016, labor market productivity fell at an annual rate of 0.5%. Output increased 1.2% while labor-hours worked rose 1.8%. Unit labor costs were up 2.0% and have increased 2.1% over the previous four quarters. Manufacturing productivity fell 0.2%, and manufacturing unit labor costs rose 3.1% in the quarter.

Wednesday, [Job Openings and Labor Turnover Survey \(JOLTS\)](#): In June 2016, the number of job openings was 5.6 million up about 100,000 from May. Hires numbered 5.1 million, an increase of about 85,000 for the month while total separations were down slightly to 4.9 million. Openings were higher in construction and manufacturing. The quit rate was 2.0%, unchanged for the past two months. "Over the 12 months ending in June, hires totaled 62.3 million and separations totaled 59.8 million, yielding a net employment gain of 2.5 million."

Wednesday, [Productivity and Costs by Industry](#): In 2015, "[l]abor productivity rose 1.6% in wholesale trade, 3.0% in retail trade, and 1.8% in food services and drinking places . . ." In wholesale trade, productivity fell from 2014 to 2015 but rose in retail trade and food services and drinking places. In those 49 (4-digit NAICS) industries examined in this report, productivity increased in 31 with non-store retailers posting a 10.% gain. Hourly compensation increased in 40 of the 49 industries studied. In the period 1987 to 2015, productivity increased in 46 of the 49 industries with a median increase of 2.1%. There is a lot more detail available in the report.

Thursday, [US Import and Export Price Indexes](#): In July 2016, the US Import Price Index increased 0.1%, led by a 0.3% increase in nonfuel prices and despite a 2.5% decline in fuel prices. From July 2015 to July 2016, the import index fell 3.7%. The US Export Price Index was up 0.2%, prompted by a 0.3% rise in nonagricultural prices that more than offset a fall of 0.4% in agricultural prices. Over the past 12 months, the export index fell 3.0%.

Friday, [Producer Price Index](#) (PPI): In July 2016, the PPI for final demand was down 0.4% following increases of 0.5% and 0.4% in June and May. Excluding energy, food, and trade services, the index was unchanged from the prior month. In the case of goods alone, the indexes for food and energy both fell. The index for services was down by 0.3%. Over the previous 12 months, the total index was down 0.2%, though excluding energy, food, and trade services the index was up by 0.8%.

US Department of Labor

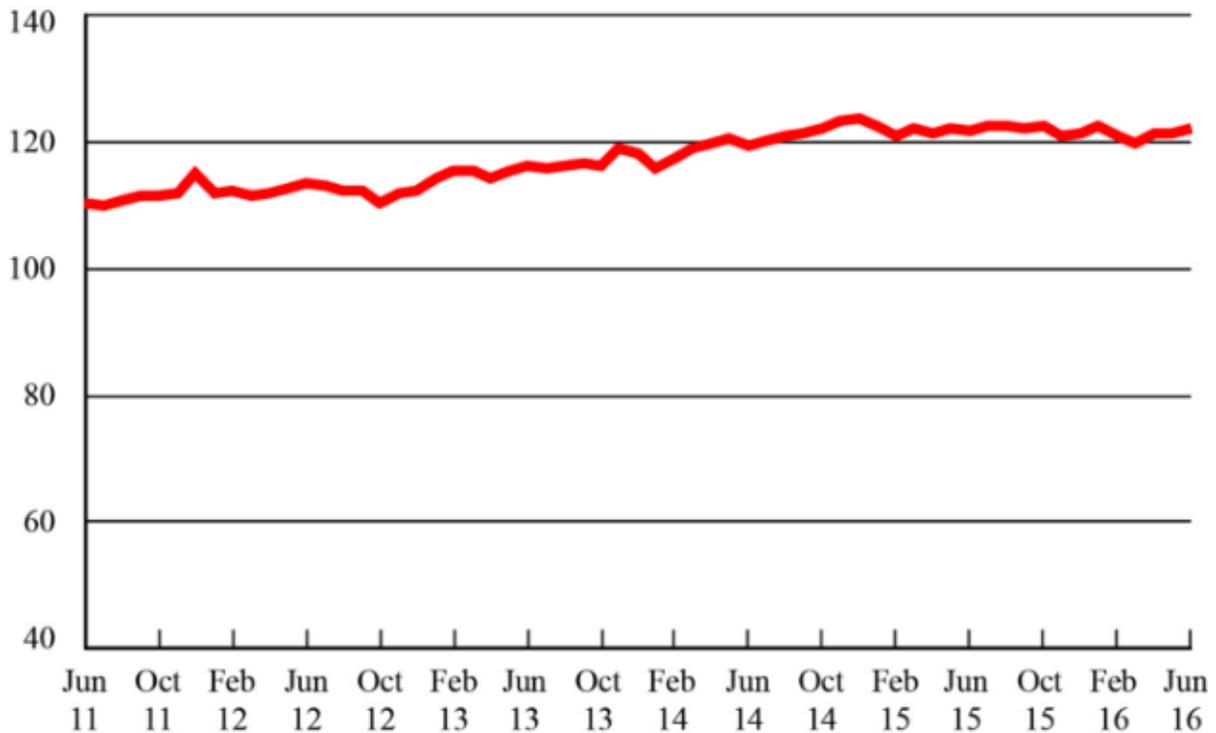
Thursday, [Initial Claims](#): New claims for unemployment insurance for the week ending August 6, 2016, fell by 1,000 to 266,000 while the four-week moving average rose by 3,000 to 262,750. In the previous week, ending July 30, no states reported an increase of 1,000 or more in initial claims, and four states reported decreases of 1,000 or more. Tennessee report a decrease of 397 new claims.

US Department of Transportation

Wednesday, [Transportation Freight Services Index](#): In June 2016, this composite index of the amount of freight carried by for-hire service providers rose from 121.8 to 122.3 (monthly average for 2000 = 100). The latest index is 29.1%, higher than the low point in April 2009 when the index was 94.7. However, the latest index reading is below the peak of 123.7 in December 2014. The chart below shows the index for the period June 2011 to June 2016.

Freight Transportation Services Index, June 2011 - June 2016

Monthly average of 2000 = 100



Board of Governors of the Federal Reserve

Monday, Labor Market Conditions Index: The July 2016 index is 1.0, the first positive index number in 2016. In May, the index was -3.4, the third consecutive month at that level, then in June it was -0.1. Recall that this index is a composite of "the primary common variation from 19 labor market indicators." I have mistakenly said in the past that it did not include the latest BLS jobs report, but that is wrong; it does. Click [here](#) for the complete list of all the included indicators.

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading was 41.8, down from 43.0 the prior week.

University of Michigan

Friday, [Consumer Sentiment Index](#): The preliminary index for August is 90.4 compared with 90.0 in July and 91.9 in August 2015. "Confidence inched upward in early August due to more favorable prospects for the overall economy, offsetting a small pullback in personal finances. Most of the weakness in personal finances was among younger households who cited higher expenses than anticipated as well as somewhat smaller expected income gains."

The Wall Street Journal

Thursday, [Economic Forecasting Survey](#): The August 2016 survey of 77 forecasters, 62 responded to more than 40 measures requested. The average forecast for the Q2 2016 GDP growth rate was 1.27%; for Q3, the average was 2.67%; for Q4, 2.35%. The average forecast for the Consumer Price Index as of December 2016 was 1.72%, and for June 2017, it was 2.12%. Oil prices are forecast to be \$46.15 by December 2016 and to rise above \$50 only by December 2017. (As I write the price is \$44.04.) The unemployment rate is forecast to be 4.7% by the end of 2016 and 4.6% by the end of 2017. The average increase in home prices by January 2017 is 4.25%. Eighty-eight percent of the respondents predict an increase in the fed funds rate by the end of the year with more than 70% predicting the increase to be in December. The forecasters predict a recession within the next 12 months with a probability of 21% with 75% of the forecasters assessing the risk of downside error in their growth rate forecast.