

Economic Update, October 13, 2017
Submitted by Reuben Kyle

Summary: The economic news of the week was almost all upbeat. The only possible negative was the jump in both the producer price index (PPI) and the consumer price index (CPI) but both were the result of increases in energy prices which may be temporary. Also, the increases in inflationary measures only hastening the time for the Fed to “normalize” monetary policy after eight years of non-normal policies. The winner of this year’s Nobel Prize in Economics is a very interesting guy and you will find links to his ideas below.

Census Bureau

Friday, [Advance Monthly Sales for Retail and Food Services](#): In September 2017, the advance estimate of sales for retail and food services was up by 1.6% from August and 4.4% above sales in September 2016. Retail trade sales alone increased by 1.7% for the month and by 4.7% year-over-year. A major contributor was the 3.6% rise in sales of motor vehicles and parts dealers.

Friday, [Manufacturing and Trade: Inventories and Sales](#): In August 2017, combined sales of distributive trades and the shipments of manufacturers rose by 0.7% from July and by 5.5% from August 2016. Inventories were also up by 0.7% while the inventory/sales ratio was unchanged at 1.38.

Bureau of Labor Statistics

Wednesday, [Job Openings and Labor Turnover Survey \(JOLTS\)](#): In August 2017, the number of job openings, hires, and total separations fell slightly from July but remained near the levels of that month at, 6.1 million, 5.4 million, and 5.2 million, respectively. The quits rate was 2.1%, a figure little changed over the past year. “Over the 12 months ending in August, hires totaled 63.8 million and separations totaled 61.7 million, yielding a net employment gain of 2.1 million. These totals include workers who may have been hired and separated more than once during the year.”

Thursday, [Producer Price Index \(PPI\)](#): In August 2017, the seasonally adjusted PPI rose by 0.4% for the month and the unadjusted index has risen by 2.6% since August 2016. For the month, the index for the final demand for goods increased by 0.7% and that for services by 0.4%. Excluding food, energy, and trade services the PPI was up by 0.2%.

Friday, [Consumer Price Index \(CPI\)](#): The September 2017 CPI was up by 0.5% from August and since September 2016 the index is up 2.2%. The principal mover of the all items index was a 13.1% increase in the gasoline index with next largest category being “Food Away from Home” at 0.3%. Excluding food and energy the CPI rose by 0.1%.

Friday, [Real Earnings](#): With the 0.5% increase in the CPI and a 0.5% increase in average hourly earnings, real average hourly earnings fell by 0.1% in September 2017. Since September 2016, real average hourly earnings have risen by 0.7%. In the case of production and nonsupervisory workers, real average hourly earnings fell by 0.2% as the 0.4% increase in average hourly earnings was more than offset by a 0.7% rise in the CPI for Urban Wage Earners and Clerical Workers.

U.S. Department of Labor

Thursday, [Initial Claims](#): New claims for unemployment insurance declined by 15,000 to 243,000 in the week ending October 7, 2017 and the four-week moving average fell by 9,500 to 257,500. For the previous week, ending September 30, three states reported increases of 1,000 or more initial claims and six states reported decreases of 1,000 or more. Tennessee reported an increase of 31 new claims.

U.S. Department of Transportation

Thursday, [August 2017 Freight Transportation Index](#): The August index reading was 130.7, up 1.5% from 128.8 in July 2017 and 38% higher than the low of 2009 at 94.7. “The August increase in the

Freight TSI was driven by a large gain in trucking and smaller gains in air freight and rail intermodal. Water and pipeline freight decreased while rail carloads were stable.”

Board of Governors of the Federal Reserve

Wednesday, [Minutes of the Federal Open Market Committee](#) (FOMC): These are minutes from the FOMC meetings September 19 and 20, 2017. The participants in the meeting discussed the impact of the hurricanes—Harvey, Irma, and Maria—on the economic statistics normally considered in reaching policy decisions. The expectation is that the storms will have impacted the then latest statistics but based on past experience that they would not affect the long-term course of the economy. There was considerable discussion about the inflation rate continuing below their 2% target rate but they concluded that the rate would move toward that target. They also agreed that another increase in the fed funds rate was likely to occur in 2017. But, the conclusion was to leave that rate at its current range of 1% to 1.25%.

Bloomberg.com

Thursday, [Consumer Comfort Index](#): The latest index reading is 49.5 compared with 49.9 the previous week. “The consumer comfort index, down 4 tenths to 49.5 in the October 8 week, keeps retreating but remains at a very strong level. This index hit a long-term peak of 53.3 in July.”

University of Michigan

Friday, [Consumer Sentiment Index](#): The final index reading in October 2017 for this index is 101.1 up from 95.1 in September and 87.6 in October 2016. “Consumer sentiment surged in early October, reaching its highest level since the start of 2004.”

The Wall Street Journal

Thursday, [Economic Forecasting Survey](#): The October 2017 survey of 76 forecasters returned 59 completed responses and the projected average response is reported here. The forecast for 4th quarter GDP growth is 2.7% and the forecast for Q1 2018 is 2.4%. As of December 2017, the CPI is forecast to rise by 1.8% increasing to 2.1% in June 2018. The price of oil is forecast to be \$50.26 as of December 2017 and \$51.45 by June next year. The December 2017 unemployment rate forecast is 4.2% and by June 2018, 4.1%. The average monthly change in nonfarm employment is projected at just below 165,000 jobs for 2017. An increase of 0.25 percentage points is predicted for December 2017 with 94.9% of respondents making that prediction and a half point by June 2018. The yield on 10-year Treasury Notes is forecast to be 2.46% as of December 2017 rising to 2.76% by June next year. The average increase in the rate of increase of home prices is projected to fall slightly from 5.7% to 4.8% in 2017. Housing starts are expected to be 1.3 million at the end of 2017. Fewer than 16% of respondents predict a recession in the next 12 months and more than half see an “upside” risk for their projected GDP growth rate.

Nobel Prize in Economic Sciences

Monday, [Press Release of 2017 Prize](#): The Sveriges Riksbank Prize in Economic Science for 2017 was awarded to Richard H. Thaler, of the University of Chicago. “**Richard H. Thaler** has incorporated psychologically realistic assumptions into analyses of economic decision-making. By exploring the consequences of *limited rationality*, *social preferences*, and *lack of self-control*, he has shown how these human traits systematically affect individual decisions as well as market outcomes.” For more explanation of Thayer’s work try this [link](#) and if you are curious about “nudging” try [this link](#).