

Economic Update, February 2, 2018
Submitted by Michael Mount

Summary: The US unemployment rate stayed at 4.1 percent, but productivity decreased slightly in the fourth quarter of 2017, a worrying sign. Productivity growth has been slow since 2007, averaging just over one percent per year (see chart below). From December to January, three confidence indexes increased. Many businesses are struggling to find qualified workers, and that will limit growth.

Census Bureau

Tuesday, [Housing Vacancies and Homeownership](#): “National vacancy rates in the fourth quarter 2017 were 6.9 percent for rental housing and 1.6 percent for homeowner housing. The rental vacancy rate of 6.9 percent was virtually unchanged from the rate in the fourth quarter 2016 (6.9 percent) and 0.6 percentage points lower than the rate in the third quarter 2017 (7.5 percent). The homeowner vacancy rate of 1.6 percent was 0.2 percentage points lower than the rate in the fourth quarter 2016 (1.8 percent) and virtually unchanged from the rate in the third quarter 2017 (1.6 percent). The homeownership rate of 64.2 percent was not statistically different from the rates in the fourth quarter 2016 (63.7 percent) or the third quarter 2017 (63.9 percent).”

Friday, [Manufacturers’ Shipments, Inventories and Orders](#): “New orders for manufactured goods in December, up six of the last seven months, increased \$8.5 billion or 1.7 percent to \$498.2 billion. . . . This followed a 1.7 percent November increase. Shipments, up twelve of the last thirteen months, increased \$2.9 billion or 0.6 percent to \$495.4 billion. This followed a 1.4 percent November increase.”

Bureau of Economic Analysis

Monday, [Personal Income and Outlays](#): “Personal income increased \$58.7 billion (0.4 percent) in December according to estimates released today by the Bureau of Economic Analysis. Disposable personal income (DPI) increased \$48.0 billion (0.3 percent) and personal consumption expenditures (PCE) increased \$54.2 billion (0.4 percent).”

Department of Labor

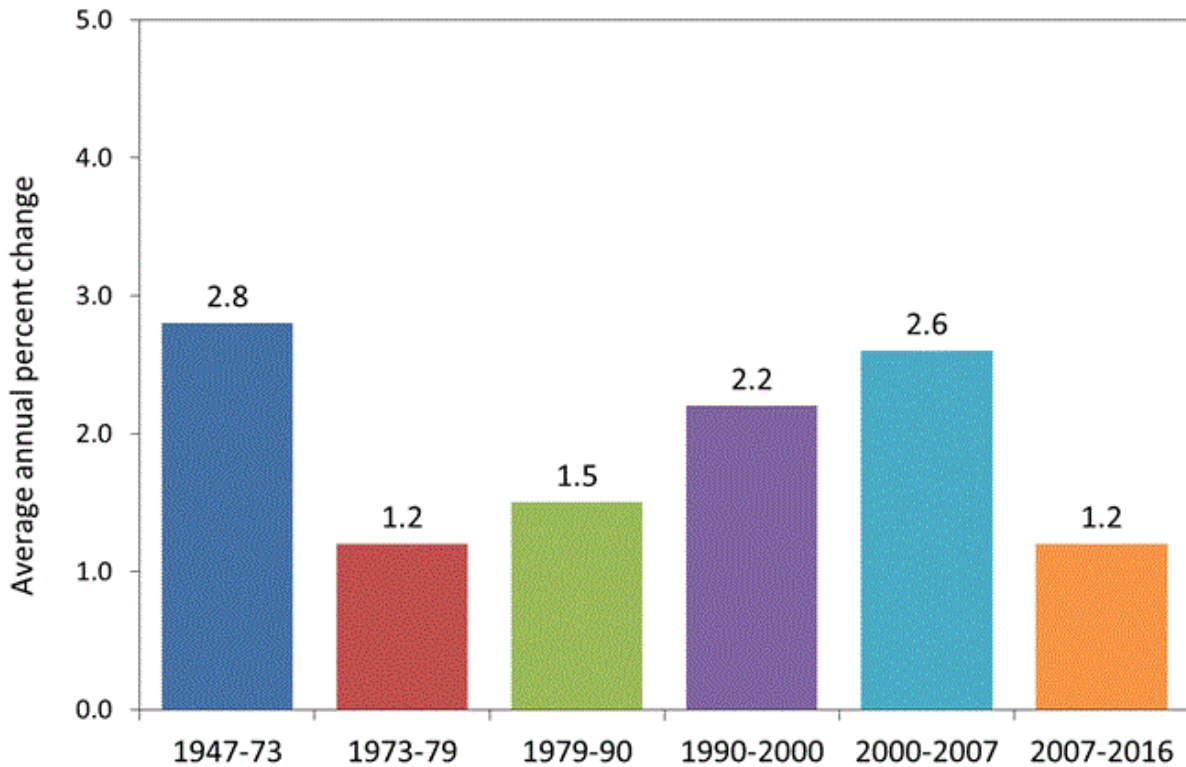
Thursday, [Initial Claims](#): “In the week ending January 27, the advance figure for seasonally adjusted initial claims was 230,000, a decrease of 1,000 from the previous week's revised level. The previous week's level was revised down by 2,000 from 233,000 to 231,000. The 4-week moving average was 234,500, a decrease of 5,000 from the previous week's revised average. The previous week's average was revised down by 500 from 240,000 to 239,500.”

Bureau of Labor Statistics

Wednesday, [Employment Cost Index](#): “Compensation costs for civilian workers increased 0.6 percent, seasonally adjusted, for the 3-month period ending in December 2017, the U.S. Bureau of Labor Statistics reported today. Wages and salaries (which make up about 70 percent of compensation costs) increased 0.5 percent, and benefits (which make up the remaining 30 percent of compensation) increased 0.5 percent.”

Thursday, [Productivity and Costs](#): Nonfarm business sector labor productivity decreased 0.1 percent during the fourth quarter of 2017 . . . as output increased 3.2 percent and hours worked increased 3.3 percent. . . . From the fourth quarter of 2016 to the fourth quarter of 2017, productivity increased 1.1 percent, reflecting a 3.2-percent increase in output and a 2.1-percent increase in hours worked. . . . Annual average productivity increased 1.2 percent from 2016 to 2017.”

Productivity change in the nonfarm business sector, 1947-2016



Source: U.S. Bureau of Labor Statistics

Friday, [Employment Situation](#): “Total nonfarm payroll employment increased by 200,000 in January, and the unemployment rate was unchanged at 4.1 percent. . . . Employment continued to trend up in construction, food services and drinking places, health care, and manufacturing.”

Challenger

Thursday, [Job Cuts](#): “The nation’s employers announced plans to cut 44,653 jobs in January, 37.7 percent more than the 32,423 cuts announced in December. . . . While January cuts were up from the previous month, they were 2.8 percent lower than the same month one year ago, when 45,934 cuts were announced. ‘Many companies are enjoying relative financial health and a strong economy right now. The good news for those who are finding themselves separated from their previous companies is that employers are scrambling to find talent,’ said John Challenger, Chief Executive Officer of Challenger, Gray & Christmas, Inc.”

The Conference Board

Tuesday, [Consumer Confidence](#): The index “increased in January, following a decline in December. The Index now stands at 125.4 (1985=100), up from 123.1 in December. The Present Situation Index decreased slightly, from 156.5 to 155.3, while the Expectations Index increased from 100.8 last month to 105.5 this month.”

Gallup

Wednesday, [Economic Confidence](#): “Americans' recently improved confidence in the U.S. economy held firm last week as Gallup's Economic Confidence Index averaged +14, similar to +13 one week earlier.”

State Street

Tuesday, [Investor Confidence](#): The index “increased to 102.1, up 6.4 points from December’s revised reading of 95.7. Investors across all regions showed an improved appetite for risk, with the European ICI rising by 16.0 points to 113.4, the Asian ICI increasing by 6.1 to 100.8, and the North American ICI increasing by 1.7 points to 97.2.”

University of Michigan

Friday, [Consumer Sentiment](#): The index of decreased from 95.9 in December to 95.7 in January. “Consumer sentiment has remained largely unchanged for more than a year at very favorable levels. The January Sentiment figure was just 0.2 Index-points below December's, and just 1.1 points below the 2017 average of 96.8—which was the highest yearly average since 2000.”

Federal Reserve

Wednesday, [FOMC Statement](#): “Information received since the Federal Open Market Committee met in December indicates that the labor market has continued to strengthen and that economic activity has been rising at a solid rate. Gains in employment, household spending, and business fixed investment have been solid, and the unemployment rate has stayed low. On a 12-month basis, both overall inflation and inflation for items other than food and energy have continued to run below 2 percent.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “The Market Composite Index, a measure of mortgage loan application volume, decreased 2.6 percent on a seasonally adjusted basis from one week earlier. . . . The Refinance Index decreased 3 percent from the previous week. The seasonally adjusted Purchase Index decreased 3 percent from one week earlier.”

ADP

Wednesday, [Employment Report](#): “Private sector employment increased by 234,000 jobs from December to January. . . . Mark Zandi, chief economist of Moody’s Analytics, said, ‘The job market juggernaut marches on. Given the strong January job gain, 2018 is on track to be the eighth consecutive year in which the economy creates over 2 million jobs. If it falls short, it is likely because businesses can’t find workers to fill all the open job positions.’”

Institute for Supply Management

Thursday, [Purchasing Managers’ Index](#): “Economic activity in the manufacturing sector expanded in January, and the overall economy grew for the 105th consecutive month. . . . The January PMI registered 59.1 percent, a decrease of 0.2 percentage point from the seasonally adjusted December reading of 59.3 percent.”

Motor Intelligence

Thursday, [Motor Vehicle Sales](#): The annual rate for motor vehicle sales decreased from 17.85 million in December 2017 to 17.16 million in January 2018. Domestic car sales showed the largest percentage decrease, and only imported truck sales increased.