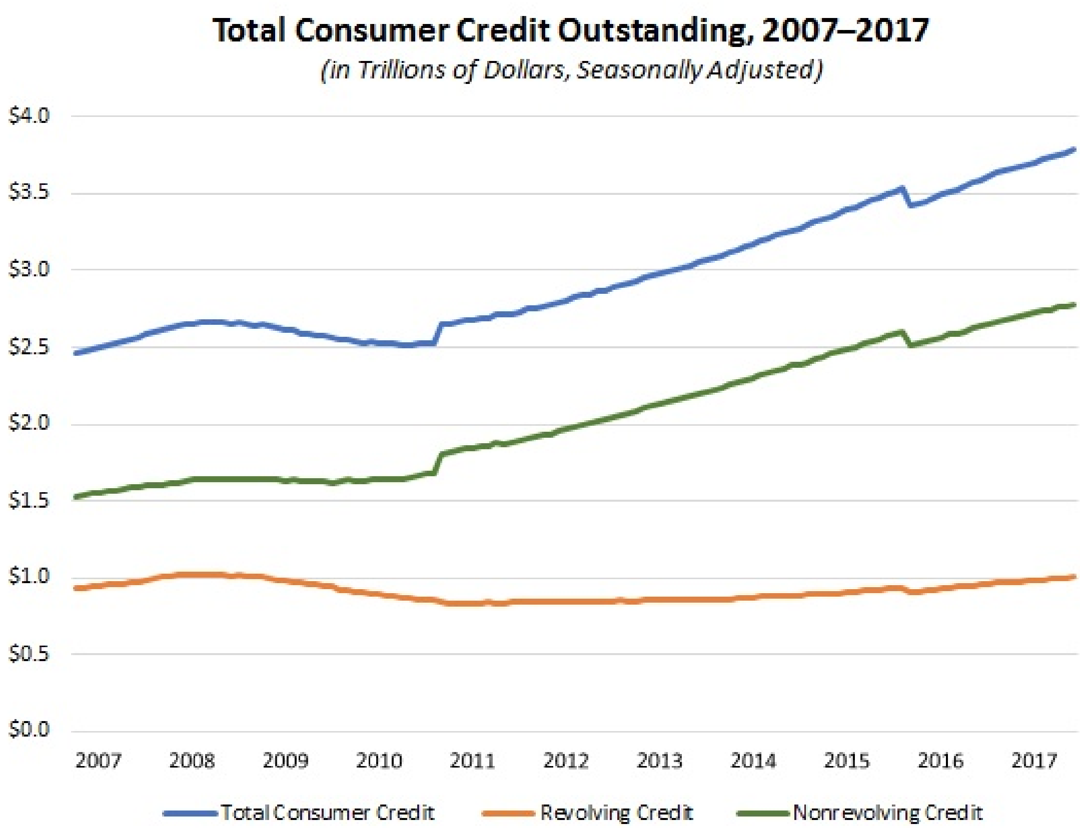
A Publication of the National Association of Manufacturers

Monday Economic Report

November 13, 2017



Sandwiched between a few busy weeks for economic data, the handful of reports out last week were consistent with a strengthened outlook, both for consumers and in the labor market.

The Federal Reserve Board reported that U.S. consumer credit outstanding rose 6.6 percent at the annual rate in September, picking up from the 4.2 percent gain in August. Across the past 12 months, consumer credit has increased 5.6 percent. This suggests that Americans are less cautious in their spending and more willing to use their credit cards for their purchases than just a few months ago. Indeed, this report mirrors data showing a 1.0 percent jump in personal spending in September, its fastest monthly pace since August 2009, with year-over-year growth of 4.4 percent. Moreover, the saving rate plummeted to 3.1 percent in September, its lowest level since December 2007, or since the start of the Great Recession. Most importantly, these figures show robust gains in consumer expenditures, which remain one of the brighter spots in the economy.

With that said, the University of Michigan and Thomson Reuters reported that consumer confidence pulled back in November after rising to its highest point since January 2004 in October. The Index of Consumer Sentiment fell from 100.7 in October to 97.8 in November, according to preliminary data. This was well below the consensus estimate of around 100, which was disappointing. To be fair, however, Americans continue to be more upbeat in general, with the headline index averaging 96.8 year to date through the first 11 months of 2017. For comparison purposes, that figure averaged 91.3 in the same time frame in 2016.

At the same time, the labor markets continue to show signs of tightening—something that consumers noted in the University of Michigan report. Manufacturing job openings dipped from 435,000 in August—the highest level since January 2001—to 425,000 in September. Overall, however, the data suggest that manufacturers are posting new jobs at a very strong rate, with an improved economic outlook boosting employment growth. To put the current number in perspective, job openings in the sector were 326,000 one year ago. Beyond manufacturing, job openings for nonfarm payroll businesses edged up from 6,090,000 in August to 6,093,000 in September, just shy of the all-time high recorded in July (6,140,000).

In addition, manufacturing hiring remained positive in September, even as job growth pulled back from more robust paces in July and August. The sector hired 333,000 workers in September, pulling back from August's level of 359,000, which was nearly a 10-year high. At the same time, total separations—including layoffs, quits and retirements—increased from 301,000 to 323,000, the highest level since June 2009. As a result, net hiring (or hires minus separations) fell from 58,000 in August to 10,000 in September. This implies average net hiring of 14,000 workers per month over the past 10 months, which is a relatively healthy growth rate.

This week, manufacturers will see if industrial production rebounded in October after hurricane-related pullbacks in activity in August and September. Moreover, there will be new manufacturing surveys from the Kansas City, New York and Philadelphia Federal Reserve Banks, with continued expansions and a still-strong outlook for the next six months expected in each of these regions. Meanwhile, the Census Bureau will release the latest retail sales data. As noted above, consumer spending has strengthened over the past few months, up 4.4 percent year-over-year, and headed into the all-important holiday sales season, the expectations for strong spending figures are heightened even further. Other highlights this week include updates on consumer and producer prices, housing starts and permits, small business optimism and state employment.

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Economic Indicators

Last Week's Indicators:
(Summaries Appear Below)

Monday, November 6
None

Tuesday, November 7
Consumer Credit
Job Openings and Labor Turnover Survey

Wednesday, November 8
None

Thursday, November 9
None

This Week's Indicators:

Monday, November 13
None

Tuesday, November 14
NFIB Small Business Survey
Producer Price Index

Wednesday, November 15
Consumer Price Index
New York Fed Manufacturing Survey
Retail Sales

Friday, November 10
University of Michigan Consumer Sentiment

Thursday, November 16
Industrial Production
NAHB Housing Market Index
Philadelphia Fed Manufacturing Survey

Friday, November 17
Housing Starts and Permits
Kansas City Fed Manufacturing Survey
State Employment Report

Summaries for Last Week`s Economic Indicators

Consumer Credit

The Federal Reserve Board reported that U.S. consumer credit outstanding rose 6.6 percent at the annual rate in September, picking up from the 4.2 percent gain in August. Total consumer credit was $3.788 trillion in September, with $1.006 trillion in revolving credit and $2.782 trillion in nonrevolving credit. Across the past 12 months, consumer credit has increased 5.6 percent.

Revolving credit, which includes credit cards and other credit lines, rose 7.7 percent in September, up from 2.2 percent in July and 6.7 percent in August. This suggests that Americans are less cautious in their spending and more willing to use their credit cards for their purchases than just a few months ago. Nonrevolving credit, which includes auto and student loans, also improved, up 6.3 percent in September after rising 3.3 percent in August. On a year-over-year basis, both revolving and nonrevolving credit outstanding have risen 5.6 percent.

Job Openings and Labor Turnover Survey

The Bureau of Labor Statistics reported that manufacturing job openings dipped from 435,000 in August—the highest level since January 2001—to 425,000 in September. Overall, however, the data suggest that manufacturers are posting new jobs at a very strong rate, with an improved economic outlook boosting employment growth. To put the current number in perspective, job openings in the sector were 326,000 one year ago. The underlying job openings data in September provided mixed results. Durable goods firms added more jobs in September, up from 248,000 to 255,000, a level not seen since April 2006. In contrast, job openings declined for nondurable goods businesses for the second straight month, down from 187,000 to 170,000. This could reflect some negative impacts from recent hurricanes, likely making the decrease temporary.

Meanwhile, manufacturing hiring remained positive in September, even as job growth pulled back from more robust paces in July and August. The sector hired 333,000 workers in September, pulling back from August’s level of 359,000, which was nearly a 10-year high. Hiring fell for both durable (down from 211,000 to 194,000) and nondurable (down from 148,000 to 139,000) goods firms. At the same time, total separations—including layoffs, quits and retirements—increased from 301,000 to 323,000, the highest level since June 2009. As a result, net hiring (or hires minus separations) fell from 58,000 in August to 10,000 in September. This implies average net hiring of 14,000 workers per month over the past 10 months, which is a relatively healthy growth rate.

Turning to the larger economy, job openings for nonfarm payroll businesses edged up from 6,090,000 in August to 6,093,000 in September, just shy of the all-time high recorded in July (6,140,000). In the latest data, the largest monthly increases in postings included finance and insurance, government, professional and business services and wholesale trade. Meanwhile, Hurricanes Harvey, Irma and Maria restricted net hiring among nonfarm businesses, falling from 147,000 in August to 33,000 in September.

University of Michigan Consumer Sentiment

The University of Michigan and Thomson Reuters reported that consumer confidence pulled back in November after rising to its highest point since January 2004 in October. The Index of Consumer Sentiment fell from 100.7 in October to 97.8 in November, according to preliminary data. This was well below the consensus estimate of around 100, which was disappointing. To be fair, however, Americans continue to be more upbeat in general, with the headline index averaging 96.8 year to date through the first 11 months of 2017. For comparison purposes, that figure averaged 91.3 in the same time frame in 2016. Final data will be released on November 22.

Digging further into the November data, the indices for current (down from 116.5 to 113.6) and future (down from 90.5 to 87.6) conditions both decreased for the month. According to Richard Curtin, the chief economist for the Surveys of Consumers, consumers remain optimistic in their assessments of the labor market, but there is also an expectation that interest rates and pricing pressures will pick up somewhat. Overall, the data are consistent with 2.7 percent growth at the annual rate for consumer spending in 2018.

Questions or comments?

Contact Chief Economist Chad Moutray at cmoutray@nam.org.