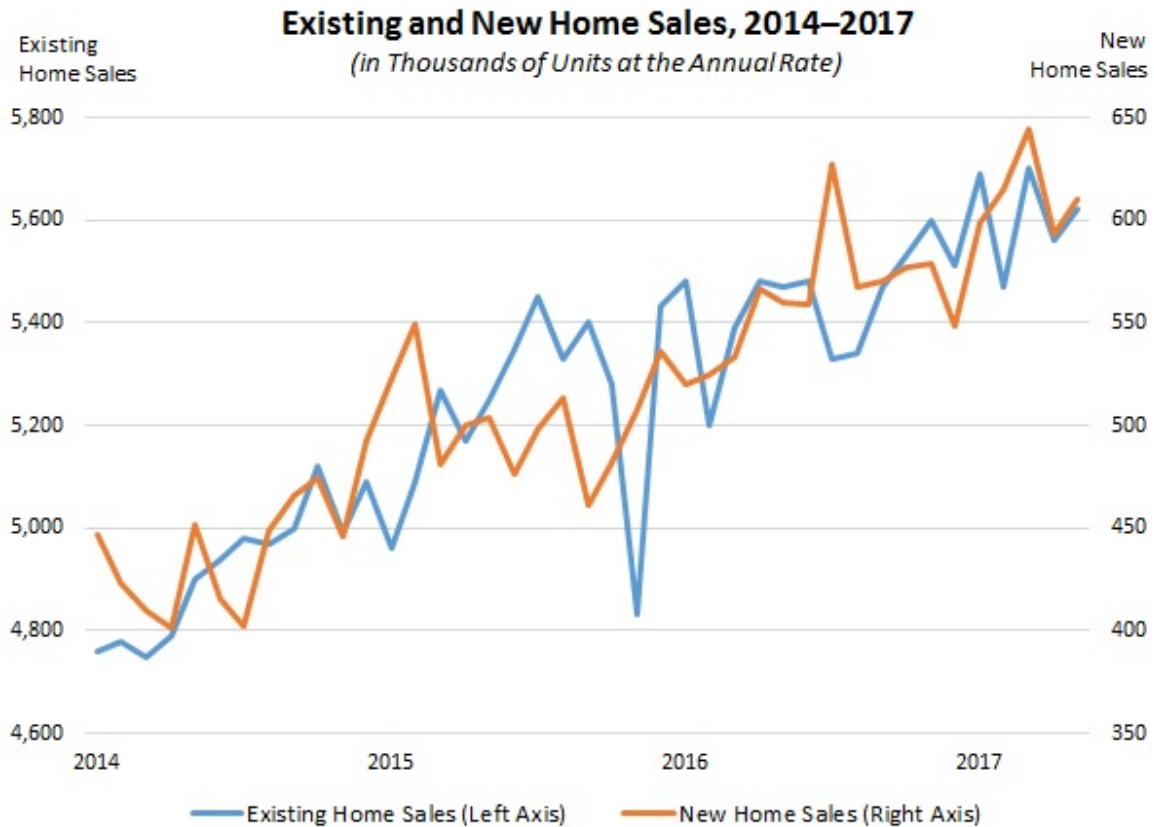




June 26, 2017



Last week was a slower one for indicators, but the data points that were released reflected mostly positive trends, with the global economy showing signs of continued progress. Along those lines, the [IHS Markit Flash Eurozone Manufacturing PMI](#) rose once again to its fastest pace since April 2011. This suggests that manufacturers in Europe have mostly brushed off political uncertainties, with economic growth on the continent continuing to trend in the right direction. New orders and output accelerated further in June, with both at levels not seen since early 2011. Looking ahead six months, the future output index reflected healthy expectations moving forward, with that measure at its highest point since it was introduced in mid-2012. In addition, IHS Markit also released preliminary figures for [France](#) and [Germany](#), which were both promising despite mixed results in June.

In the United States, manufacturing activity remained bright, even as some reports indicate a slowing in growth from earlier in the year. Indeed, the [IHS Markit Flash U.S. Manufacturing PMI](#) eased in June to its slowest growth rate since September. It was the fifth consecutive monthly decline, down from the fastest growth rate in nearly two years in January. Nonetheless, we continue to see modest growth overall in the

sector nationally for new orders, output and exports, and hiring picked up somewhat in June. In addition, respondents continued to be mostly optimistic about future production, which was encouraging.

Regionally, the Kansas City Federal Reserve Bank reported that [manufacturing activity](#) expanded for the seventh straight month, with those completing the survey citing notable improvements in activity relative to this time last year. Several of the key indicators shifted strongly higher in June, including shipments, production, employment and the average workweek. More importantly, manufacturers in the district continued to be very upbeat about the next six months, with at least half expecting higher levels of sales, production and shipments moving forward.

Meanwhile, new manufacturing orders were one of the bright spots for the Conference Board's [Leading Economic Index](#) (LEI), which increased 0.3 percent in May. Other positive contributions in May came from average weekly unemployment claims, consumer confidence, stock prices, the interest rate spread and overall lending conditions. In contrast, reduced [building permits](#) subtracted from the headline LEI in May for the second consecutive month on softer-than-desired activity in the residential market. While the Census Bureau's housing starts and permits figures were disappointing in May, [existing](#) and [new](#) home sales were higher in data released last week, with both rebounding somewhat from weaker numbers in April.

In general, I continue to expect better housing starts in the second half of 2017, likely hitting 1.25 million units at the annual rate. However, one challenge in the real estate market has been inventories of houses for sale, particularly for existing homes. As National Association of Realtors Chief Economist Lawrence Yun has said, homes are selling "extremely fast" with few options from which to choose. It is definitely a seller's market right now, pushing up median prices.

Manufacturing activity will once again be in the spotlight this week with a number of key economic releases. It is hoped the Dallas and Richmond Federal Reserve Banks will reflect expanding levels of demand once again in their respective June surveys. The Census Bureau will report on May durable goods orders and shipments. In addition, consumers will come into focus with new figures on personal spending and confidence, especially in light of disappointing retail sales figures in May. Other highlights this week include preliminary data on international trade in goods and a second revision for first quarter real GDP growth.

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## Economic Indicators

### Last Week's Indicators: (Summaries Appear Below)

**Monday, June 19**  
None

**Tuesday, June 20**  
None

**Wednesday, June 21**  
Existing Home Sales

**Thursday, June 22**  
Conference Board Leading Indicators

### This Week's Indicators:

**Monday, June 26**  
Chicago Fed National Activity Index  
Dallas Fed Manufacturing Survey  
Durable Goods Orders and Shipments

**Tuesday, June 27**  
Conference Board Consumer Confidence  
Richmond Fed Manufacturing Survey

**Wednesday, June 28**  
International Trade in Goods (Preliminary)

## Summaries for Last Week's Economic Indicators

### Conference Board Leading Indicators

The Conference Board's [Leading Economic Index](#) (LEI) increased 0.3 percent in May, edging up slightly from the 0.2 percent gain in April. Over the past six months, the LEI rose 2.3 percent, signaling modest growth and accelerating from prior months where growth was more sluggish. New orders in the manufacturing sector added 0.11 percentage points to headline growth, rebounding from a slight drag in the prior release. At the same time, the average workweek for production workers provided no contribution to the LEI for the second straight month. Other positive contributions in May came from average weekly unemployment claims, consumer confidence, stock prices, the interest rate spread and overall lending conditions. In contrast, reduced building permits subtracted from the headline LEI in May for the second consecutive month on softer-than-desired activity in the residential market.

Meanwhile, the Coincident Economic Index (CEI), which assesses current conditions, inched up 0.1 percent in May, down from 0.3 percent in April. Industrial production was unchanged in May, and it did not make a contribution to the CEI for the month. Each of the other components of the CEI—nonfarm payrolls, personal income and manufacturing and trade sales—positively contributed to the index for the month.

### Existing Home Sales

The National Association of Realtors (NAR) reported that [existing home sales](#) rose 1.1 percent in May, bouncing back a bit from the 2.5 percent decline in April. Sales increased from an annualized 5.56 million units in April to 5.62 million units in May. However, this declined from 5.70 million units in March. Activity increased in every region of the country in May except for the Midwest. In addition, sales grew for both single-family (up from 4.93 million to 4.98 million) and condo/co-op (up from 630,000 to 640,000) units. On a year-over-year basis, existing home sales increased 2.7 percent, up from 5.47 million units in May 2016.

In terms of inventories, there were 4.2 months of supply on the market in May, up from 3.8 months in March and 4.1 months in April. Despite the slight increase in inventories for the month, NAR Chief Economist Lawrence Yun described how levels continue to remain low overall, saying, "Listings in the affordable price range are scarce, homes are coming off the market at an extremely fast pace, and the prevalence of multiple offers in some markets are pushing prices higher." The median price for an existing home sold in May was \$252,800, up 5.8 percent year-over-year.

### Kansas City Fed Manufacturing Survey

The Kansas City Federal Reserve Bank reported that [manufacturing activity](#) expanded for the seventh straight month and continued to expand at a modest pace in June. The composite index of general business conditions increased from 8 in May to 11 in June, its highest reading since March's six-year high (20). In general, manufacturers report notable improvements in activity relative to this time last year, even as sentiment has pulled back somewhat from stronger numbers at the beginning of 2017. Encouragingly, several of the key indices in June shifted strongly higher, including shipments (up from 3 to 23), production (up from -1 to 23), employment (up from 11 to 15) and the average workweek (up from 1 to 7). A few of the sample comments cited difficulties in hiring new workers. On the other hand, new orders (down from 9 to 4) and export orders (down from 4 to 3) slowed a little in this report but remained positive.

Meanwhile, manufacturers continued to be optimistic about the next six months, albeit with some easing from the prior survey. The forward-looking composite index declined from 30 to 25. At least half of those

completing the survey expect sales, production and shipments to be higher moving forward, with 38 percent and 30 percent seeing more hiring and capital spending, respectively. At the same time, business leaders in the district also see pricing pressures remaining quite elevated, with that measure at a three-month high (up from 37 to 49).

### Markit Flash Manufacturing PMIs

The [IHS Markit Flash Eurozone Manufacturing PMI](#) rose from 57.0 in May to 57.3 in June, once again its fastest pace since April 2011. This suggests that manufacturers in Europe have mostly brushed off political uncertainties, with economic growth on the continent continuing to trend in the right direction. New orders (up from 57.8 to 58.5) and output (up from 58.3 to 58.5) accelerated somewhat in June, with both at levels not seen since early 2011. At the same time, exports (down from 57.5 to 57.4) and employment (down from 56.1 to 56.0) edged lower for the month but remained encouraging overall. Looking ahead six months, the future output index reflected healthy expectations moving forward (up from 66.0 to 67.3), with that measure at its highest point since it was introduced in mid-2012. In addition, IHS Markit also released preliminary figures for [France](#) (up from 53.8 to 55.0) and [Germany](#) (down from 59.5 to 59.3), which were both promising despite mixed results in June.

Meanwhile, the [IHS Markit Flash U.S. Manufacturing PMI](#) eased to its slowest growth rate since September, down from 52.7 in May to 52.1 in June. It was the fifth consecutive monthly decline, down from 55.0 in January, which was the fastest growth rate in nearly two years. Nonetheless, we continue to see modest growth overall in the sector nationally, even with some softer data in most of the key variables, including new orders (down from 53.4 to 51.6), output (down from 53.3 to 52.9) and exports (down from 51.3 to 51.0). In contrast to those figures, hiring picked up somewhat in June (up from 51.9 to 52.4). While manufacturing activity in the United States was perhaps weaker than desired in this latest survey, respondents continued to be mostly optimistic about future output (down from 66.5 to 66.1), even with a slight easing in this report.

### New Home Sales

The Census Bureau and the Department of Housing and Urban Development reported that [new home sales](#) increased 2.9 percent, up from an annualized 593,000 in April to 610,000 in May. As such, it was a partial rebound from April's lull, but still off from the nine-and-a-half-year high in March (642,000). The jump in May stemmed from stronger demand for new single-family homes in the South and West, with weaker data once again in the Midwest and Northeast. On a year-over-year basis, new home sales have risen 8.9 percent from May 2016's pace of 560,000. As such, the longer-term trend remains favorable.

In May, the number of months of supply on the market was unchanged at 5.3 months. This was up from 4.9 months in March, indicating a notable pickup in the inventories of new homes for sale. The median sales price was \$345,800 in May, up 16.8 percent from \$296,000 one year ago.

## Connect with the Manufacturers



Questions or comments?

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