

The Puget Sound ECONOMIC FORECASTER



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Current Economic Indicators

With April in the rearview mirror, the economic data seem to be back on track with previous projections – steadily slowing growth. National indicators show a continued slowdown in industrial production, declining in tandem with the latest Purchasing Manager’s Index from ISM. Consumer demand appears to be taking hits, with retail sales growth cooling alongside personal consumption expenditures. While both measures are still growing roughly 3 percent year-over-year – remember, last month both metrics were showing strong results – growth is 0.2 to 0.5 percentage points lower than last month.

The labor market remains a bright spot in the economy. Employment growth remains unchanged nationally (1.7 percent), while the unemployment rate reaches new lows at 3.6 percent. This change is mostly driven by a slight reduction in the labor force, as the labor force participation rate has declined 0.4 percentage points since January. One worry here: recent data revisions have shrunk previous monthly jobs growth levels by more than usual. Check the June Forecaster for more on employment/unemployment and participation.

Meanwhile, over in the Puget Sound we can witness a similar tale unfolding. The manufacturing workweek shrunk slightly, echoing the national trend in industrial production. The regional employment growth rate is down a marginal 0.1 percent year-over-year from March. Gains are not shared equally, though. Aerospace hiring has slowed in recent months, while construction employment remained unchanged from March to April. Still, the unemployment rate keeps declining – currently at 3.9 percent – and the number of initial, monthly unemployment insurance claims remain heavily muted. We remind you that with baby boomers retiring at a growing rate it is easy to be misled by simply looking at the unemployment rate, with a falling labor force participation rate we would expect a lower unemployment rate absent some sort of market event.

Nationally, housing starts remain low, but in the Puget Sound region housing permits exhibited strong growth in April. Average home prices before seasonal adjustment appear to have grown, but after controlling for seasonality prices stagnated from March to April. The usually busy spring season has been lukewarm compared to 2018, but there are some signs that the market’s downward correction for affordability is waning. Increased closings, falling mortgage rates, and a steady influx of high-income tech workers mean that expensive housing remains affordable for many who move to Puget Sound for those well-paid jobs. Balancing their needs with those of low-income Puget Sound residents will be vital to sharing the region’s recent prosperity.

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The most troubling indicators are the converging three-month and ten-year Treasury note rates. As of this writing, they have been inverted for multiple weeks, usually a foolproof indication of a recession 6 months to 2 years out. Time will bear out their predictive power.

Current Economic Indicators

Seasonally Adjusted and Annualized

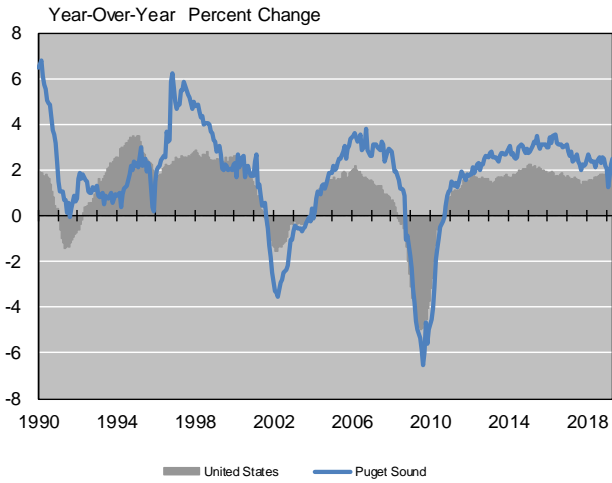
	April 2019	Annualized Percent Change	
		Over Three Months	Over Twelve Months
Puget Sound Region			
Employment (thous.)	2182.2	3.0	2.5
Aerospace	83.7	3.4	6.6
Construction	136.7	-3.7	4.9
Trade	330.6	3.4	1.3
Information (including software)	124.7	12.1	5.8
Professional and business services	312.2	3.7	3.8
Unemployment rate ¹ (%)	3.9	-0.1	0.0
Initial claims for unemployment insurance (thous./mo.)	11.1	-28.3	6.3
Manufacturing work-week (hrs.)	42.2	-5.2	-1.7
Consumer price index ² (82-84=1.000)	2.768	3.6	2.4
Consumer price index, core ^{2,3} (82-84=1.000)	2.778	2.4	2.6
Housing permits (thous.)	34.4	179.4	14.8
Home sales (thous.)	67.8	23.3	-1.7
Average home price (thous. \$)	590.4	14.7	-0.2
United States			
Industrial production (2012=1.000)	1.092	-3.2	0.9
Employment (mils.)	151.0	1.2	1.7
Unemployment rate ¹ (%)	3.6	-0.4	-0.3
Personal income (bils. \$)	18099.1	3.4	3.9
Personal consumption expenditures (bils. \$12)	13145.6	3.1	2.7
Retail sales (bils. \$)	6160.3	4.9	3.1
Consumer price index (82-84=1.000)	2.550	3.6	2.0
Consumer price index, core ³ (82-84=1.000)	2.617	1.6	2.1
Housing starts (mils.)	1.235	-17.4	-2.5
Three-month treasury bill rate ¹ (%)	2.38	0.01	0.62
Ten-year treasury note rate ¹ (%)	2.53	-0.18	-0.34
Conventional mortgage rate ¹ (%)	4.14	-0.32	-0.33

¹Percent change calculated as simple change in the variable.

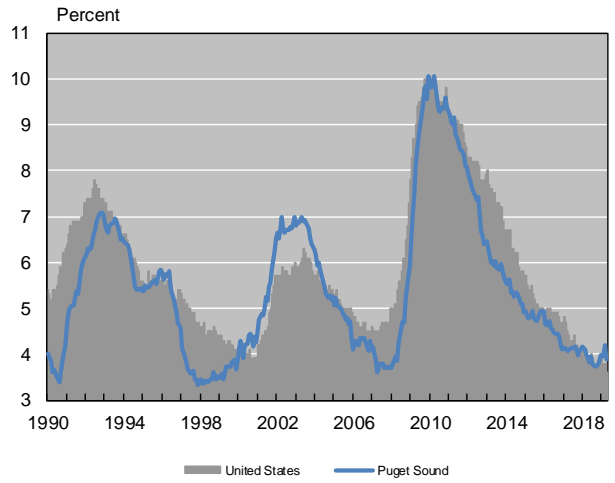
²Interpolated from bi-monthly data.

³Excludes food and energy prices.

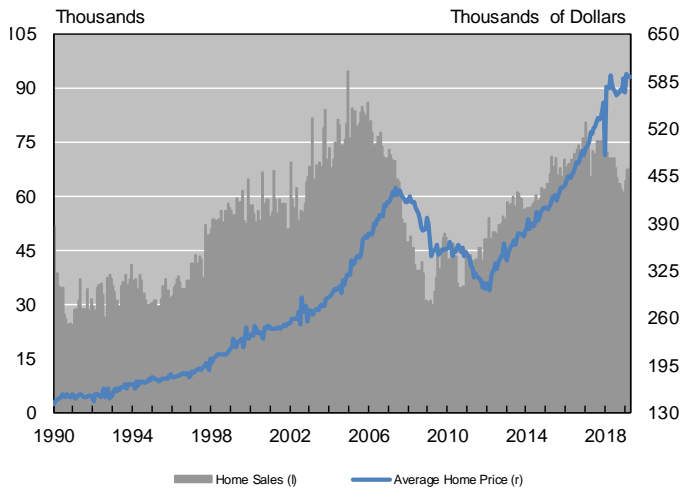
Puget Sound and U.S. Employment



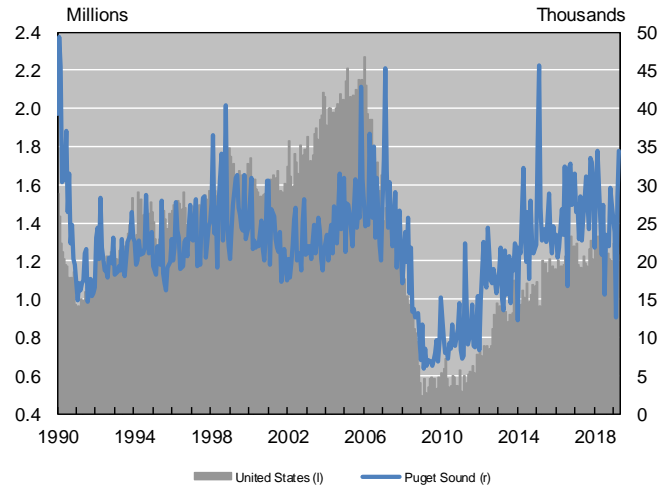
Puget Sound and U.S. Unemployment Rate



Puget Sound Home Sales and Average Home Price



Puget Sound and U.S. Housing Starts



Current Economic Indicators

Seasonally Adjusted and Annualized

	2018.04	2018.05	2018.06	2018.07	2018.08	2018.09	2018.10	2018.11	2018.12	2019.01	2019.02	2019.03	2019.04
Puget Sound Region													
Employment (thous.)	2128.9	2133.5	2136.4	2140.6	2147.8	2142.6	2154.9	2158.4	2157.6	2166.1	2150.0	2174.4	2182.2
Aerospace	78.5	78.7	79.2	79.9	80.0	81.0	81.0	82.0	82.1	83.0	83.0	83.4	83.7
Construction	130.3	131.2	131.3	131.4	132.6	132.3	133.7	134.8	134.8	138.0	129.2	136.7	136.7
Trade	326.4	326.7	326.5	326.7	327.6	328.1	327.9	328.3	326.3	327.8	328.0	329.8	330.6
Information (including software)	117.8	118.5	120.0	120.4	120.9	121.5	122.0	122.9	123.2	121.0	123.0	123.7	124.7
Professional and business services	300.7	301.6	303.2	304.3	306.2	304.6	307.6	308.8	308.8	309.3	309.1	312.6	312.2
Unemployment rate (%)	3.9	3.8	3.9	3.8	3.8	3.7	3.8	3.9	4.0	4.0	4.0	4.2	3.9
Initial claims for unemployment insurance (thous./mo.)	10.4	9.9	9.9	10.1	12.4	10.0	10.3	10.4	10.4	12.0	14.6	9.7	11.1
Manufacturing work-week (hrs.)	43.0	42.4	42.6	42.0	42.0	42.3	42.1	42.6	42.9	42.8	41.0	43.1	42.2
Consumer price index ¹ (82-84=1.000)	2.703	2.714	2.724	2.720	2.716	2.722	2.728	2.730	2.733	2.743	2.753	2.760	2.768
Consumer price index, core ^{1, 2} (82-84=1.000)	2.707	2.718	2.730	2.726	2.723	2.727	2.730	2.739	2.747	2.762	2.777	2.778	2.778
Housing permits (thous.)	30.0	20.8	27.3	15.6	23.4	23.3	21.8	29.5	27.5	23.8	12.6	28.2	34.4
Home sales (thous.)	68.9	70.4	70.3	67.8	65.1	57.8	63.3	61.7	60.9	64.0	67.2	64.8	67.8
Average home price (thous. \$)	591.9	579.2	572.6	571.7	564.7	568.6	572.3	571.5	587.7	569.5	593.6	590.5	590.4
United States													
Industrial production (2012=1.000)	1.082	1.074	1.082	1.087	1.095	1.097	1.099	1.105	1.106	1.101	1.096	1.097	1.092
Employment (mils.)	148.5	148.7	149.0	149.2	149.5	149.6	149.9	150.0	150.3	150.6	150.6	150.8	151.0
Unemployment rate (%)	3.9	3.8	4.0	3.9	3.8	3.7	3.8	3.7	3.9	4.0	3.8	3.8	3.6
Personal income (bils. \$)	17414.5	17461.1	17524.5	17593.5	17670.0	17708.3	17760.4	17788.4	17956.4	17944.5	17985.3	18006.3	18099.1
Personal consumption expenditures (bils. \$12)	12799.2	12842.8	12884.1	12927.5	12966.5	12965.9	13021.4	13079.2	12996.3	13044.5	13031.5	13149.3	13145.6
Retail sales (bils. \$)	5973.9	6047.5	6062.0	6098.8	6094.5	6081.0	6139.4	6139.1	6039.9	6086.4	6069.8	6171.9	6160.3
Consumer price index (82-84=1.000)	2.500	2.506	2.511	2.516	2.519	2.520	2.528	2.528	2.527	2.527	2.531	2.541	2.550
Consumer price index, core ² (82-84=1.000)	2.564	2.569	2.573	2.579	2.581	2.585	2.590	2.596	2.601	2.607	2.610	2.614	2.617
Housing starts (mils.)	1.267	1.332	1.180	1.184	1.279	1.236	1.211	1.202	1.142	1.291	1.149	1.168	1.235
Three-month treasury bill rate (%)	1.76	1.86	1.90	1.96	2.03	2.13	2.25	2.33	2.37	2.37	2.39	2.40	2.38
Ten-year treasury note rate (%)	2.87	2.98	2.91	2.89	2.89	3.00	3.15	3.12	2.83	2.71	2.68	2.57	2.53
Conventional mortgage rate (%)	4.47	4.59	4.57	4.53	4.55	4.63	4.83	4.87	4.64	4.46	4.37	4.27	4.14

¹Interpolated from bi-monthly data.

²Excludes food and energy prices.