



Elliott D. Pollack & Company

The Monday Morning Quarterback

A quick analysis of important economic data released over the last week

FOR IMMEDIATE RELEASE

July 10th, 2017

The most significant story of the week relative to the economy was the recent release of employment data. Total nonfarm jobs grew more rapidly than expected in June and the numbers for both April and May were revised upward as well. This shows a strong picture.

Job gains over the last three months have averaged 194,000 compared to a monthly average of 187,000 last year. And while manufacturers' new orders were down modestly for the third month in a row, they are still above year earlier levels. Other indicators show that the manufacturing sector is still growing. On the other hand, total sales of autos and light trucks were down again. While the declines have been small, it is still a concern. In other economic news, construction spending was about flat for the month but was still up significantly from a year ago.

On the local front, the Greater Phoenix resale market continued to tighten as active listings declined and resales continue to be strong year over year. This pushes home prices higher.

Overall, while there was some weakness, the overall picture still suggests that economic expansion will continue into 2018.

U.S. Snapshot:

- Total nonfarm payroll jobs increased 222,000 in June. Employment increased in health care, social assistance, financial activities and mining. Employment growth averaged 187,000 in 2016 and has averaged 194,000 over the past three months. April employment figures were revised upward from 174,000 to 207,000 and May's were revised from 138,000 to 152,000.
- The unemployment rate rose marginally from 4.3% in May to 4.4% in June. This compares to 4.9% a year ago.
- New orders for manufactured goods declined 0.8% in May compared to April. This is the second consecutive monthly decline. On a year over year basis, orders were up 4.2%.
- The Manufacturers' new orders inventories to shipments ratio remained steady at 1.38. A year ago, the ratio was 1.41. This is a positive.

- The seasonally adjusted annual rate for total auto and light truck sales in June was down to 16.4 million units from 16.6 million in May and 16.8 million a year ago. While this is disappointing, it shows a plateauing, not a significant decline.
- The ISM's manufacturing index indicates that the manufacturing sector expanded in June. The index increased to 57.8 from May's 54.9 and now is at its highest level since August 2014. Any reading above 50 indicates expansion.
- The ISM's non-manufacturing index rose to 57.4 in June from May's 56.9. This also indicates expansion. Indeed, the reading shows that June was the 95th consecutive month of expansion for the U.S. economy.
- Total construction was flat in May compared to April and now stands 4.5% above year earlier levels. Private construction was up 6.2% from a year ago while government construction was down 0.6%. Private residential construction was down 0.6% for the month but was up 11.2% from a year ago. Single family construction was up 7.9% from a year ago and apartment construction was up 3.0% for the same time period.

Arizona Snapshot:

- According to the Cromford Report, active listings of resale homes in Greater Phoenix were down to 23,178 in June from 24,756 in May and 25,785 a year ago. Resales, on the other hand, were at 9,523 in June compared to 9,858 in May and 8,996 a year ago. As a result of the supply/demand crunch, home prices continue to increase. The median price of resales was \$245,000 in June compared to \$240,000 in May and \$230,000 a year ago.
- An indication of how much the housing market in Greater Phoenix continues to improve can be seen by foreclosure data. Foreclosures are now lower than the early 2002 boom and continue to decline (see chart below). This is true for notices of foreclosure (down 5.5% from a year ago), residences foreclosed (down 33.1% from a year ago), residential REO properties (down 25.2% from a year ago) and distressed property inventory (down 21.5% from a year ago).

