

MONDAY ECONOMIC REPORT



Essential Takes on Leading Economic Indicators

By [Chad Moutray, Ph.D., CBE](#) ♦ July 1, 2019 ♦ [SHARE](#) [f](#) [t](#) [in](#)

Durable Goods Orders Disappoint Again, and Manufacturing Activity Growth Remains Slow

The Weekly Toplines

- New [durable goods orders](#) fell 1.3 percent in May versus April, falling for the second consecutive month. But new orders for nondefense capital goods excluding aircraft increased by 0.4 percent in May and have remained essentially flat over the last three months. Overall, for May year to date, new durable goods have increased 1.0 percent with new orders excluding transportation and defense up 0.4 percent.
- June surveys from the [Dallas](#), [Kansas City](#) and [Richmond](#) Federal Reserve Banks indicated manufacturing activity levels were flat to slightly up from May. Expectations for the next six months were mixed. The Dallas FRB survey reported slowing business conditions over the next six months, while the Kansas City and Richmond FRBs reported modestly positive outlooks. All three FRB surveys pointed to positive hiring over the next six months.
- The [Chicago Fed National Activity Index](#) improved in May to -0.05 versus April's -0.48. This change was driven by improvement in production-related indicators. ♦
- [International Trade in Goods \(Preliminary\)](#): In the advance statistics, the goods trade deficit increased from \$70.9 billion in April to \$74.5 billion in May. Exports increased by 3.0 percent, with imports increasing by 3.7 percent. Automobiles and capital goods exports increased by 4.7 percent and 3.5 percent, respectively, in May.
- [Consumer Sentiment](#) fell slightly in June but remained solid overall, according to the University of Michigan and Thomson Reuters, while the Conference Board's [Consumer Confidence Index](#) fell back to the lowest level since September 2017. Both indices noted slightly less favorable expectations, driven by trade/tariff tensions and a somewhat less favorable labor market outlook.

- [Personal consumption expenditures](#) rose modestly by 0.4 percent in May, after rising 0.6 percent in April. Compared to May 2018, personal spending in May 2019 rose 4.2 percent, a bit slower than the 4.7 percent average monthly growth in 2018 but still solid. The saving rate remained steady at 6.1 percent in May. Meanwhile, personal income continues to increase strongly, up 0.5 percent in May and 4.1 percent year-over-year. ❖❖
- The [PCE deflator](#) rose 0.2 percent in May, and core PCE deflator, which excludes food and energy prices, also rose 0.2 percent. Core inflation has moderated substantially over the last 10 months, falling back from the 2.4 percent year-over-year rate last July to 1.6 percent in May. Both the PCE and core PCE deflator measures remain well below the Federal Reserve's stated goal of 2 percent core inflation.
- May's [new single-family home sales](#) fell back for the second consecutive month after reaching a 17-month high in March, largely driven by soft sales in the West Census Region. But with the average [30-year mortgage rate](#) trending below 4.0 percent over the last 5 weeks to a 32-month low of 3.73 percent, June demand for both new and existing homes should be solid when reported in July.
- [First-Quarter GDP](#) ❖ (third estimate) grew at 3.1 percent, unchanged from May's second estimate. The U.S. Federal Reserve Bank's June 2019 GDP growth forecast range is 2.0 to 2.4 percent.

Editor's Note: Many thanks to Jim Hoke, a senior global economist at Deere & Company, for compiling this week's Monday Economic Report.

Also, note that there will not be a Monday Economic Report distributed on July 8.

Economic Indicators

Last Week's Indicators:

Monday, June 24

Chicago Fed National Activity Index
Dallas Fed Manufacturing Survey

Tuesday, June 25

Conference Board Consumer Confidence
New Home Sales
Richmond Fed Manufacturing Survey

Wednesday, June 26

Durable Goods Orders and Shipments
International Trade in Goods
(Preliminary)

This Week's Indicators:

Monday, July 1

Construction Spending
ISM Manufacturing Purchasing Managers' Index

Tuesday, July 2

None

Wednesday, July 3

ADP National Employment Report
Factory Orders and Shipments
International Trade Report

Thursday, July 4

INDEPENDENCE DAY HOLIDAY

Thursday, June 27

Gross Domestic Product (Second Revision)
Kansas City Fed Manufacturing Survey

Friday, July 5

BLS National Employment Report

Friday, June 28

Personal Consumption Expenditures Deflator
Personal Income and Spending
University of Michigan Consumer Sentiment

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