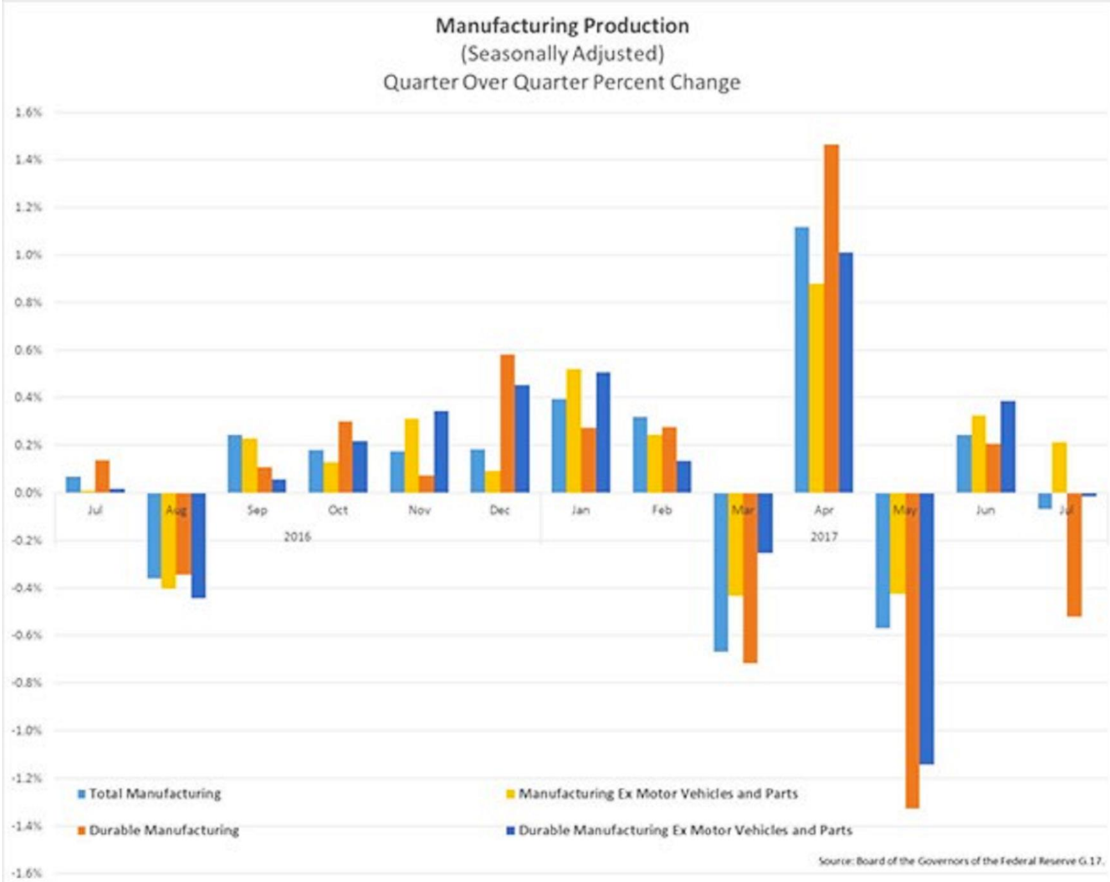

Manufacturing Indicators
The manufacturing indicators that were released last week included industrial production for July and the New York and Philadelphia Federal Reserve Bank manufacturing surveys for August.

According to the Federal Reserve, total industrial production rose 0.2 percent from June to July. Compared to the previous year, the index rose 2.2 percent. Manufacturing production (about three-fourths of the total index) fell 0.1 percent from June and rose 1.2 percent from the previous year. Taking a deeper dive into the decline from June, while durable manufacturing fell 0.5 percent, nondurable manufacturing actually climbed 0.4 percent. Within durables, softness in motor vehicles and parts drove the decline. As shown in the graph above, total manufacturing excluding motor vehicles and parts rose 0.2 percent on the month, while durable manufacturing excluding motor vehicles and parts was about flat. Compared to July 2016, total manufacturing rose 1.2 percent; excluding motor vehicles and parts, the increase was 1.7 percent.

Turning to a regional view, the Empire State Manufacturing Survey general business conditions index, which records business conditions for manufacturers in New York State, recovered from a dip in July from June to record an eye-popping 15-point gain in August from

July, to the highest level since September 2014. New orders, shipments and employment were all up for the month. Furthermore, fully 53 percent of respondents expect higher sales over the month ahead. As for manufacturers in the eastern Pennsylvania, southern New Jersey, and Delaware areas, the Philadelphia Federal Reserve Manufacturing Business Outlook Survey reported that the current activity index dipped a touch, but remains in positive territory-it continues to reflect growth. Of note, the diffusion index for new orders (the percentage of respondents reporting an increase minus the percentage reporting a decrease) jumped 18 points; there was a nearly 10-point increase in expectations of future orders.

Housing Market Indicators

The U.S. Census Bureau and the U.S. Department of Housing and Urban Development announced that new residential housing *starts* fell 4.8 percent in July to 1,155,000 from a downwardly revised June level of 1,213,000. July's number remains above the softness recorded in April and May, but is 5.6 percent below the year earlier. Breaking down this annual decline, single-family housing starts were actually up 10.9 percent from July 2016, while the rate for units in buildings with 5 units or more was down 35.2 percent.
Building *permits* in July, while down 4.1 percent on the month at 1,223,000, were 4.1 percent above the previous year's level. Single-family permits rose 13 percent from July 2016, while multi-unit permits were down 9.8 percent. Taken together, these data are consistent with a market in which multi-family construction levels off, while single-family building gradually accelerates to meet the needs of a very tight residential real-estate market.

After dipping in June and again in July, the NAHB Housing Market index picked up in August, with respondents reporting more optimism regarding both current sales of single-family homes and sales over the next six months. A more positive outlook was recorded for respondents across all regions-Northeast, Midwest, South, and West.

Consumer Indicators

Readings on the U.S. consumer last week provided additional positive news. Retail sales climbed 0.6 percent from June to July; furthermore, the June change from May was revised from a decline of 0.2 percent to an increase of 0.3 percent. This 0.6 percent climb from June was the largest monthly gain since December 2016. From the July 2016 level, July 2017 retail sales were up 4.2 percent.

The University of Michigan Index of Consumer Sentiment rebounded from 93.4 in July to a preliminary August reading of 97.6, the highest mark since January. While the current economic conditions index actually fell a touch (although remaining elevated), the index of consumer expectations jumped 8.5 points to 89, also the highest reading since January.

Monetary Policy

In the Federal Open Market Committee (FOMC) minutes for the July 25-26 meeting, participants noted that real GDP growth has likely strengthened since the first quarter of 2017. Indeed, after a first quarter in which the economy advanced at only a 1.2 percent (annual rate) pace, according to Bureau of Economic Analysis (BEA) data, the BEA advance estimate for the second quarter came in at 2.6 percent (annual rate). In addition, FOMC participants viewed the labor market as strengthening, with solid job gains and a declining unemployment rate. Participants discussed the recent subdued pace of inflation and the surprising "coexistence of low inflation and low unemployment." (Inflation is generally expected to rise as labor markets tighten, marked by a decrease in the unemployment rate.) Some noted "that the Committee could afford to be patient under current circumstances in deciding when to increase the federal funds rate further and argued against additional adjustments until incoming information confirmed that the recent low readings on inflation were not likely to persist." On the other hand, others "worried about risks arising from a labor market that had already reached full employment and was projected to tighten further" and expressed concern about waiting too long to tighten. The next FOMC meeting is scheduled for September 19-20.

The Week Ahead
A number of indicators due out this week will provide further insight into conditions in the manufacturing sector, as well as more broadly. The Markit Flash Manufacturing PMIs for both the United States and the Eurozone will cover manufacturing conditions in these two large economic areas. For the U.S., durable goods orders and shipments data are also slated for release. Furthermore, both the Richmond and Kansas City Feds will release their Manufacturing Surveys, providing additional regional information. The Chicago Fed National Activity Index will provide a broad view of economic activity, with information drawn regarding production and income; employment and related measures; personal consumption and housing; and sales, orders and inventories. Finally, data on new and existing home sales will be released.

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P.S.: *If you have not already done so, please take a moment to complete the latest NAM Manufacturers' Outlook Survey**.** This 20-question survey will help us to gauge how manufacturing sentiment has changed since June's survey. The survey includes special questions on enacting comprehensive business tax reform and the benefits of trade. To complete the survey, click here. Responses are due by Tuesday, August 29, at 5:00 p.m. EDT. As always, all responses are anonymous.*

Editor's Note: *Many thanks to Carolyn Evans of **Intel Corporation** for compiling this week's Monday Economic Report.*

Share The Monday Economic Report with your social network:

Economic Indicators

Last Week's Indicators:
(Summaries Appear Below)

Monday, August 14
None

Tuesday, August 15
NAHB Housing Market Index
New York Fed Manufacturing Survey
Retail Sales

Wednesday, August 16
FOMC Minutes (July 25-26 Meeting)

This Week's Indicators:

Monday, August 21
Chicago Fed National Activity Index

Tuesday, August 22
Richmond Fed Manufacturing Survey

Wednesday, August 23
Markit Flash Manufacturing PMIs for U.S. and Eurozone
New Home Sales

Housing Starts and Permits

Thursday, August 17
Conference Board Leading Indicators
Industrial Production
Philadelphia Fed Manufacturing Survey

Friday, August 18
State Employment Report
University of Michigan Consumer Sentiment

Thursday, August 24
Existing Home Sales
Kansas City Fed Manufacturing Survey

Friday, August 25
Durable Goods Orders and Shipments

Questions or comments?

Contact Chief Economist Chad Moutray at cmoutray@nam.org

NATIONAL ASSOCIATION OF Manufacturers