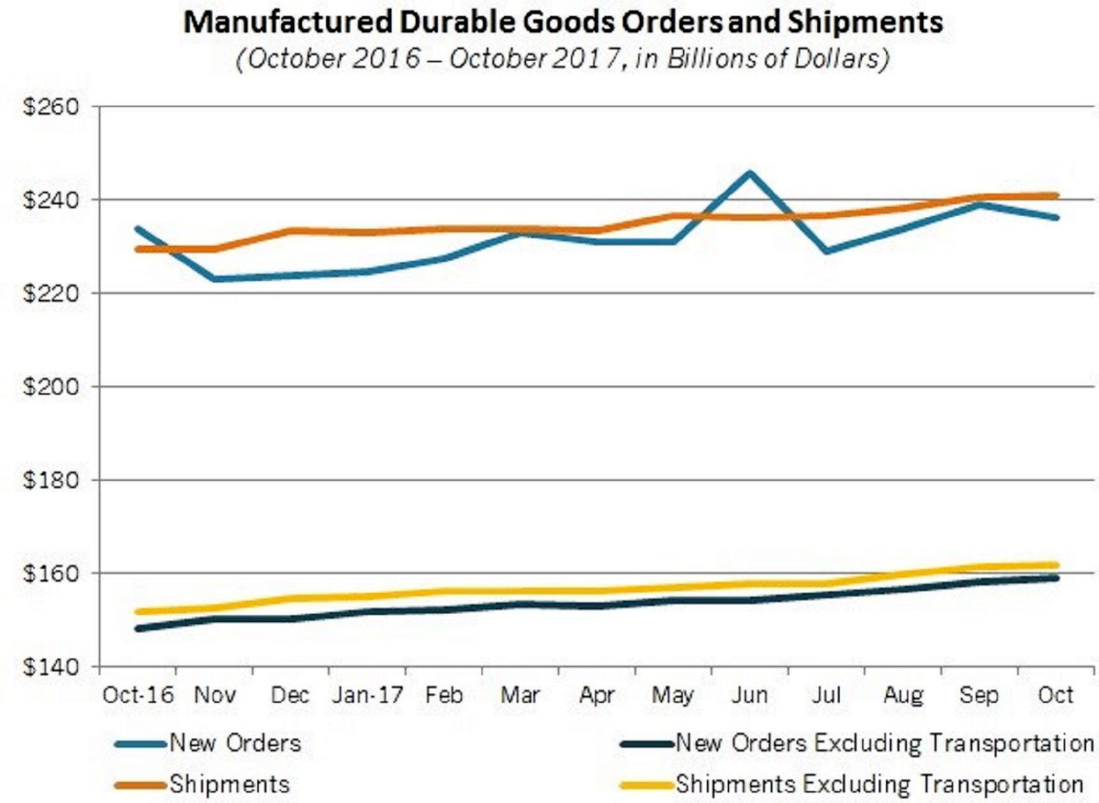

New durable goods orders decreased 1.2 percent in October, ending two straight months of solid gains in August and September. The decline in October stemmed largely from significant reductions in defense and nondefense aircraft and parts orders, which can often be highly volatile from month to month. (The November numbers should rebound strongly on healthy airplane demand at the Dubai Airshow.) Excluding transportation equipment, new durable goods orders increased 0.4 percent, rising for the fourth consecutive month. New durable goods orders have trended generally in the right direction across the past 12 months. New durable goods orders have increased 1.0 percent since October 2016, but these gains were more sizable when excluding transportation equipment, up 7.4 percent year-over-year.

Meanwhile, manufacturing activity in Europe expanded at its fastest pace since April 2000, continuing to signal that the economy on the continent is trending in the right direction after sluggishness in recent years. The IHS Markit Flash Eurozone Manufacturing PMI rose from 58.5 in October to 60.0 in November, with robust gains across the board. It was once again the fastest rate of job growth in the 20-year history of the survey. In addition, preliminary figures for France (up from 56.1 to 57.5) and Germany (up from 60.6 to 62.5) were at levels not seen since April 2011. With that said, these surveys pre-date the current political challenges in Germany, with Chancellor Angela Merkel suggesting new elections might be needed since she was unable to form a coalition. That could potentially dampen sentiment in the December figures.

At the same time, the IHS Markit Flash U.S. Manufacturing PMI declined from 54.6 in October to 53.8 in November, pulling back from its highest point since January. Overall, manufacturing activity in the United States continued to expand modestly despite some easing in most of the key numbers. Nonetheless, the index for future output jumped to its best reading since January 2016, with respondents very optimistic about production for the next six months.

Beyond manufacturing, incoming economic data continue to be promising. The Conference Board's Leading Economic Index (LEI) jumped 1.2 percent in October, largely on rebounds in activity from recent hurricanes. Across the past six months, the LEI rose 2.9 percent, a robust pace, which bodes well for economic growth moving forward. Manufacturing has been a notable contributor for growth in the LEI, boosted by gains in new orders and the average workweek of production workers. At the same time, strong growth in manufacturing production in October helped to boost the Chicago Federal Reserve Bank's National Activity Index to its highest level since January 2012. That measure tracks macroeconomic indicators to see if the U.S. economy is trending above its historical average, and it has expanded robustly for the second straight month.

Meanwhile, existing home sales rose 2.0 percent in October, increasing for the second straight month and rebounding from summertime lulls. Sales of existing homes rose from 5.37 million units at the annual rate in September to 5.48 million units in October, its best reading since June. Existing home sales remain off from February's 5.70 million units, but the upward movement in the autumn months has been promising. The overall outlook for single-family home sales remains strong. Indeed, improvements in the macroeconomy and rising wages are incentivizing more Americans to purchase a new home, according to NAR Chief Economist Lawrence Yun. At the same time, there are "residual effects on sales from Hurricanes Harvey and Irma" that still need to be worked through.

Much of the media focus this week will be on the consumer, especially with holiday sales expected to be quite robust. The University of Michigan and Thomson Reuters reported highly elevated assessments of current and future economic conditions in its Index of Consumer Sentiment, even as that measure pulled back in November after rising to its highest point since January 2004 in October. We will get new data on consumer confidence from the Conference Board and on personal income and spending from the Bureau of Economic Analysis this week. Recent data have indicated that Americans are upbeat about their outlook and more willing to open their pocketbooks in general. In fact, retail sales, which increased 0.2 percent in October, have jumped 4.6 percent on a year-over-year basis. Look for consumer spending to remain a bright spot in the new revision for real GDP growth for the third quarter, which will be released on Wednesday. The prior estimate found 3.0 percent real GDP growth for the quarter.

Manufacturing will also be in focus this week, with the Institute for Supply Management's PMI data released on Friday. Manufacturers will be looking for continued healthy expansions in new orders, production and employment in the November report, with similar findings anticipated in regional surveys from the Dallas and Richmond Federal Reserve Banks. Other highlights this week include new data on construction spending, the international trade in goods and new home sales.

Chad Moutray, Ph.D., CBE
Chief Economist
National Association of Manufacturers

***P.S.:** If you have not already done so, please take a moment to complete the latest NAM Manufacturers' Outlook Survey**.** This 30-question survey will help us to gauge how manufacturing sentiment has changed since September's survey. The survey includes some special questions on enacting comprehensive business tax reform, assessing regulatory paperwork burdens and addressing workforce challenges. To complete the survey, click here. Responses are due by **Thursday, November 30, at 5:00 p.m. EDT**. As always, all responses are anonymous.*

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Economic Indicators

Last Week's Indicators:
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THANKSGIVING HOLIDAY
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IHS Markit Flash U.S. Manufacturing PMI

This Week's Indicators:

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New Home Sales

Tuesday, November 28
Conference Board Consumer Confidence
International Trade in Goods (Preliminary)
Richmond Fed Manufacturing Survey

Wednesday, November 29
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Personal Income and Spending

Friday, December 1
Construction Spending
ISM Manufacturing Purchasing Managers' Index

Summaries for Last Week`s Economic Indicators

Chicago Fed National Activity Index

The Chicago Federal Reserve Bank reported that growth in the U.S. economy expanded robustly in October for the second straight month, rebounding from softness in both July and August. The National Activity Index (NAI) increased from 0.36 in September to 0.65 in October, its highest level since January 2012. The data have been highly volatile year to date, but the strong growth in the past two months has been encouraging, even if much of the current gain was likely a hurricane-related bounce-back. The three-month moving average also increased, up from 0.01 in September to 0.28 in October, a level not seen since May 2014. Index readings below zero suggest the economy is growing below its historical trend, with positive readings indicating the opposite.

In October, production-related indicators added 0.53 to the headline index, with manufacturing production jumping 1.3 percent in the month. Employment and sales also contributed positively to the

NAI, with 261,000 nonfarm payroll workers added in October and the unemployment rate falling to 4.1 percent, its lowest point since December 2000. Manufacturers hired 24,000 employees in October, with 13,800 additional net new workers per month on average year to date. Housing provided a small negative drag to the NAI-mainly because the residential construction market remains below its historical trend-but the most recent starts and permits figures showed promise, and builders remain upbeat in their overall outlook.

Conference Board Leading Indicators

The Conference Board's Leading Economic Index (LEI) jumped 1.2 percent in October, largely on rebounds in activity from recent hurricanes. Across the past six months, the LEI rose 2.9 percent, a robust pace, which bodes well for economic growth moving forward. Manufacturing contributed positively to the LEI in the latest data, including growth in new orders and the average workweek of production workers. At the same time, average weekly unemployment claims, building permits, consumer confidence, the interest rate spread, overall lending conditions and stock prices were all favorable indicators to the LEI in October.

Meanwhile, the Coincident Economic Index (CEI), which assesses current conditions, increased 0.3 percent in October, its fastest monthly rate since May. Each of the other components of the CEI-industrial production, nonfarm payrolls, personal income and manufacturing and trade sales-contributed positively to the index for the month. For its part, manufacturing production soared, up 1.3 percent in October, with year-over-year growth of 2.5 percent.

Durable Goods Orders and Shipments

The Census Bureau reported that new durable goods orders decreased 1.2 percent in October, ending two straight months of solid gains in August and September. The decline in October stemmed largely from significant reductions in defense and nondefense aircraft and parts orders, which can often be highly volatile from month to month. (The November numbers should rebound strongly on healthy airplane demand at the Dubai Airshow.) Excluding transportation equipment, new durable goods orders increased 0.4 percent, rising for the fourth consecutive month. New durable goods orders have trended generally in the right direction across the past 12 months. New durable goods orders have increased 1.0 percent since October 2016, but these gains were more sizable when excluding transportation equipment, up 7.4 percent year-over-year.

Looking more closely at the various durable goods sectors in October, the data mostly increased, including sales for motor vehicles and parts (up 1.7 percent), primary metals (up 1.3 percent), other durable goods (up 1.0 percent), electrical equipment, appliances and components (up 0.8 percent), machinery (up 0.6 percent) and computers and electronic products (up 0.4 percent). In addition to large declines for aircraft orders and parts, as described above, fabricated metal products also saw reduced orders (down 0.9 percent).

Despite the mostly positive readings in these sectors, new orders for core capital goods (or nondefense capital goods excluding aircraft) fell 0.5 percent in October. This figure is often seen as a proxy for capital spending in the U.S. economy, and on that score, the long-term trend remains favorable. On a year-over-year basis, core capital goods have jumped 8.1 percent, up from $61.2 billion in October 2016 to $66.2 billion in this release.

Meanwhile, durable goods shipments edged up 0.1 percent in October, slowing from a gain of 1.0 percent in September. Much like the new orders data described above, shipments have trended much higher over the past year. Since October 2016, durable goods shipments have risen at decent rates, up 5.1 percent, with year-over-year growth of 6.7 percent when excluding transportation equipment. In addition, shipments of core capital goods have also improved mightily over the past 12 months, up 8.3

percent year-over-year.

Existing Home Sales

The National Association of Realtors (NAR) reported that existing home sales rose 2.0 percent in October, increasing for the second straight month and rebounding from summertime lulls. Sales of existing homes rose from 5.37 million units at the annual rate in September to 5.48 million units in October, its best reading since June. Existing home sales remain off from February's 5.70 million units, but the upward movement in the autumn months has been promising. The overall outlook for single-family home sales continues to be encouraging. Improvements in the macroeconomy and rising wages are incentivizing more Americans to purchase a new home, according to NAR Chief Economist Lawrence Yun. At the same time, there are "residual effects on sales from Hurricanes Harvey and Irma" that still need to be worked through.

In the latest release, both single-family (up from 4.77 million to 4.87 million) and condominium and co-op (up from 600,000 to 610,000) sales increased in October. Nonetheless, existing home sales have declined 0.9 percent from 5.53 million units in October 2016, with single-family units off 1.0 percent (down from 4.92 million) and condo/co-op sales unchanged year-over-year. The median sales price in August was $247,000, up 5.5 percent from one year ago.

IHS Markit Flash Eurozone and U.S. Manufacturing PMIs

Manufacturing activity in Europe expanded at its fastest pace since April 2000, continuing to signal that the economy on the continent is trending in the right direction after sluggishness in recent years. The IHS Markit Flash Eurozone Manufacturing PMI rose from 58.5 in October to 60.0 in November, with robust gains in new orders (up from 58.8 to 61.4), output (up from 58.8 to 60.8), exports (up from 57.9 to 60.8) and employment (up from 57.3 to 57.9). It was once again the fastest rate of job growth in the 20-year history of the survey. At the same time, the index for future output (down from 66.1 to 65.6) continued to expand at a very healthy pace despite easing slightly in this release, and that measure is not far from its highest point since it was introduced in mid-2012 in June (67.4).

In addition to data for Europe as a whole, IHS Markit also released preliminary figures for France (up from 56.1 to 57.5) and Germany (up from 60.6 to 62.5), both of which were at levels not seen since April 2011. With that said, these surveys pre-date the current political challenges in Germany, with Chancellor Angela Merkel signaling new elections might be needed since she was unable to form a coalition. That could potentially dampen sentiment in the December figures.

Meanwhile, the IHS Markit Flash U.S. Manufacturing PMI declined from 54.6 in October to 53.8 in November, pulling back from its highest point since January. Overall, manufacturing activity in the United States continued to expand modestly despite some easing for new orders (down from 54.5 to 54.3), output (down from 54.5 to 54.3), exports (down from 53.2 to 52.0) and employment (down from 55.1 to 54.3). Looking ahead, the index for future output (up from 67.7 to 70.8) jumped to its best reading since January 2016, with respondents very optimistic about production for the next six months. Final data on each of these surveys will be released on December 1.

University of Michigan Consumer Sentiment

The University of Michigan and Thomson Reuters reported that consumer confidence pulled back in November after rising to its highest point since January 2004 in October. The Index of Consumer Sentiment fell from 100.7 in October to 98.5 in November. Despite the easing, the final reading of this index was somewhat higher than the preliminary estimate of 97.8, boosted by a stronger assessment of the current economic environment. To be fair, however, Americans continue to be more upbeat in general, with the headline index averaging 96.9 year to date through the first 11 months of 2017. For comparison purposes, that figure averaged 91.3 in the same time frame in 2016.

Digging further into the November data, the indices for current (down from 116.5 to 113.5) and future (down from 90.5 to 88.9) conditions both decreased for the month. Overall, the data are consistent with 2.7 percent growth at the annual rate for consumer spending in 2018.

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Questions or comments?

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