

No Sign of Economic Problems

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With the federal government partially shut for the past couple of weeks, the normal steady stream of economic indicators has slowed to a trickle. We've missed reports on employment, construction, retail sales, international trade, and inventories.

But it's not like we're completely flying blind. We've still seen the two ISM indices (on manufacturing and services), auto sales, chain-store sales, and two weeks of unemployment claims. None of these reports suggests the economy has broken out either to the upside or the downside from the pattern of Plow Horse growth of the past few years. While real GDP itself probably slowed in Q3 to around 1.5% growth, the economy as a whole looks to be expanding at roughly a 2% annual rate over a two or three quarter average.

The ISM Manufacturing index clocked in at 56.2 for September, the highest in almost 30 months. At 54.4 the ISM Services index was almost exactly the average of the past four years, a period when real GDP has grown at a 2.2% annual rate. Of course, both of these reports are for September, but you'd think with all the news stories late in the month about the supposedly "looming threat" of a government shutdown that the reports might signal some weakness.

Auto sales took a dip in September, with automakers selling cars and light trucks at a 15.3 million annual rate in September, the slowest pace since April, after a robust 16.1 million in August. But Labor Day came very early this year; so early that the Saturday of Labor Day weekend was August 31. As a result, some of the big sales that weekend, which normally get made in

September, happened in August instead. Combined, sales in the past two months were at a 15.7 million rate, up a healthy 7% from a year ago.

On Thursday the International Council of Shopping Centers reported chain store sales in September were up 4% from a year ago, which was slightly better than the 3.7% comparison for August. We use this report to help forecast retail sales outside the auto sector and are penciling in a respectable 0.4% gain for that measure, which the government would have normally published last Friday.

Of course, the most-timely broad-based data is weekly unemployment claims, which the government is still reporting, despite the partial shutdown, because most of the data comes from the states. Last week the report showed a spike of 66,000 to 374,000 initial claims, the highest since March.

But computer issues in California, which also led to a sudden large drop in claims a month ago, were responsible for about half the gain; only about 15,000 were attributable to government contractors affected by the shutdown. That's consistent with what we saw back during the last shutdown in December 1995 - January 1996, when GDP growth didn't miss a beat.

The bottom line on the economy right now is that there is no sign the partial shutdown, or anything else for that matter, has knocked it off the same course it's been on for the past few years. Hopefully, when the government finally opens back up, it'll do so with a better set of policies, which would help the plow horse pick up his pace.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
10-15 / 7:30 am	Empire State Mfg Survey – Oct	6.5	6.0		6.3
10-16 / 7:30 am	CPI – Sep	+0.2%	+0.2%		+0.1%
7:30 am	“Core” CPI – Sep	+0.2%	+0.2%		+0.1%
10-17 / 7:30 am	Initial Claims – Oct 12	335K	338K		374K
7:30 am	Housing Starts – Sep	0.910 Mil	0.935 Mil		0.891 Mil
8:15 am	Industrial Production – Sep	+0.4%	+0.3%		+0.4%
8:15 am	Capacity Utilization – Sep	78.0%	78.0%		77.8%
9:00 am	Philly Fed Survey – Oct	15.0	16.0		22.3
10-18 / 9:00 am	Leading Indicators – Oct	+0.6%	+0.6%		+0.7%