ECONOMIC UPDATE
October 4, 2019

Quote of the week

"I don't think impeachment, even if they do vote, will have any impact on the economy at all. It doesn't have anything to do with it."—Larry Kudlow, Lead Economic Adviser to the president

What you need to know

- The Bureau of Labor Statistics reported that nonfarm payroll employment grew by 136,000 in September and the unemployment rate was 3.5 percent. Average hourly earnings increased 2.9 percent from the prior year. This month's jobs report shows signs of economic slowdown: job creation has eased in 2019 to a monthly average of 161K, down from an average of 223K in 2018, the manufacturing sector lost jobs during September and wage growth slowed to 2.9 percent, the lowest growth in over a year.

- Manufacturing contracted for the second straight month in September, reaching a 10-year low, according to a survey by the Institute for Supply Management (ISM). Two days later, ISM's latest Services Index fell to the lowest level in three years, falling below previous estimates. Respondents in both indices noted concern about tariffs and the direction of the economy.

- The U.S. trade gap widened in August, reaching $54.9 billion.

- The Census Bureau reported that construction spending in August rose by just 0.1 percent from July and shrank 1.9 percent from August 2018. Construction spending in the first eight months of 2019 is down 2.3 percent from the year-ago period.

Happening the week of October 7, 2019

- *Wednesday:* The Bureau of Labor Statistics (BLS) releases the Job Openings and Labor Turnover Survey. The Federal Reserve publishes minutes to its last meeting, when it cut interest rates.

- *Thursday:* BLS updates the Consumer Price Index and the Real Earnings Summary for September.

- *Friday:* BLS updates the Import and Export Price Indexes for September.

Good reads

- "[Global Trade Is Deteriorating Fast and Sapping the World's Economy](#)," *NYT* 10/1/2019

- "[The Middle Class Crunch: A Look at 4 Family Budgets](#)," *NYT* 10/3/2019

- "[The Seven-Year Auto Loan: America's Middle Class Can't Afford Its Cars](#)," *WSJ* 10/1/2019
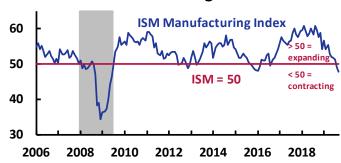
Chart of the week

The manufacturing sector is contracting at a pace unseen since the last recession.

The ISM Manufacturing Index, which uses surveys of supply executives to measure economic activity in the manufacturing sector, registered levels below 50 percent for each of the last two months. This signals a contraction in manufacturing, likely related to the president's trade war. This month's index is at 47.8 percent, the lowest since the recession.

An extended contraction in manufacturing is often an indicator of coming recession.

Manufacturing Sector is Contracting for the 2nd Straight Month

ISM Manufacturing Index

> 50 = expanding

ISM = 50

< 50 = contracting

Source: Haver Analytics
Note: ISM Manufacturing Index refers to the PMI Composite Index

New research and reports

- The [Kaiser Family Foundation](#) published research finding that premiums and deductibles are pushing employer-based health coverage [increasingly out of reach](#).

- A paper released Monday showed that [the increasing risk of climate-related weather disasters](#) has led banks to "[shift riskier mortgages—like those in coastal areas—off their books and over to the federal government](#)." After large hurricanes between 2004 and 2012, private mortgage lenders increased by almost 10 percent the share of (climate-)risky mortgages that they sold to government-sponsored Fannie Mae and Freddie Mac.

- A paper from the National Bureau of Economic Research finds [that universal access to Medicare improves cancer detection and health outcomes.](#)

Selected JEC resources

- *[Macroeconomic Dashboard](#)*

- *[U.S. Economy by the Numbers](#)*

- *[Retirement Insecurity](#)*

- *[A State-by-State Examination of the Economic Costs of Gun Violence](#)*

- *[Gun Violence in the United States: A Nation in a League of its Own](#)*

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