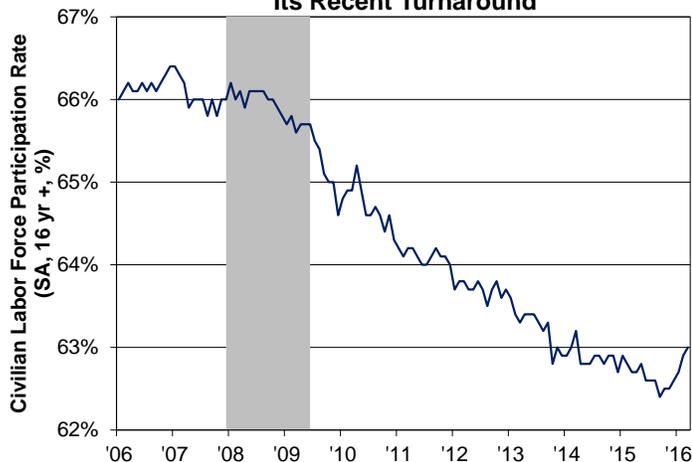


Economics: The Economy Keeps Its Head above Water

A busy week of economic data releases centered on the labor market, but also featured data on consumers, inflation, and manufacturing. The employment report showed strong job creation in March, marking the fifth time in the past six months with gains over 200,000. Most encouraging was the continued expansion of the labor force, as 2.4 million people have joined the work force over the past six months, the best stretch of improvement since 2000. As a result, the labor force participation rate rose for the fifth time in the past six months after hitting a near 39-year low in September 2015. The report was not all rosy, however, as there was little evidence of improved wage growth, the unemployed rate ticked up from an eight-year low, and the length of the average work week remained stuck at a two-year low. In other news, the personal income report disappointed, as income and consumption rose only slightly in February. In addition, real personal spending growth in January was revised down to zero from a 0.4 percent gain. Consumers apparently are becoming more cautious, as their personal savings rate rose for a third straight month to the highest level in a year, and two surveys of their sentiment suggested declining confidence in the present economic situation. Annual core inflation held steady at its January level, which was the firmest gain in a year and a half. Finally, news on the manufacturing sector was mixed in March, as a survey of purchasing managers indicated that activity moved into expansion territory for the first time in six months, but the jobs report showed employment in the industry fell sharply for a second consecutive month.

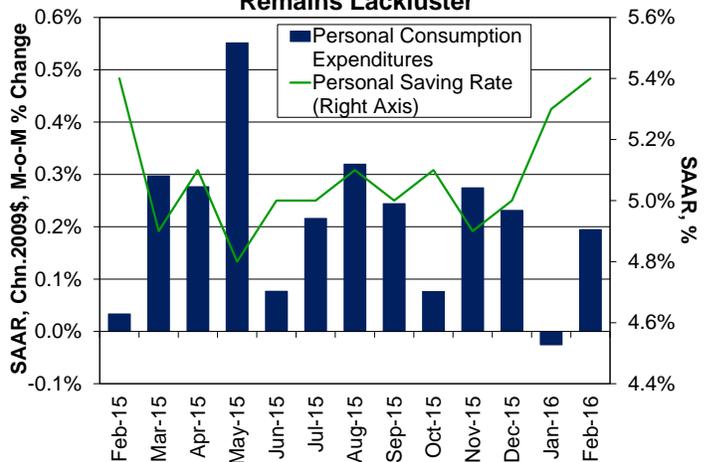
- **Nonfarm payroll employment** expanded by 215,000 jobs in March, according to the Bureau of Labor Statistics. The unemployment rate ticked up one-tenth to 5.0 percent, partly driven by a rise in the labor force participation rate by one-tenth to 63 percent. Average hourly earnings rose seven cents during the month, and increased 2.3 percent from a year ago for a second consecutive month. The average workweek was unchanged at 34.4 hours. The broadest measure of the unemployment rate (U-6) increased slightly from an expansion low in February to 9.8 percent in March.
- **Personal income**, adjusted for inflation, edged up 0.3 percent in February, according to the Bureau of Economic Analysis. Real personal consumption expenditures (PCE) ticked up 0.2 percent. The savings rate rose one-tenth to 5.4 percent. The PCE deflator slipped 0.1 percent from January, but rose 1.0 percent from a year ago. The core PCE deflator (excluding food and energy) rose 0.1 percent from one month ago, as the annual core inflation rate remained at 1.7 percent for the second consecutive month.
- **The Institute for Supply Management (ISM) Manufacturing Index** rose 2.3 points to 51.8 in March (any reading above 50 indicates expansion), as the employment index was the only component out of 10 to decline during the month.
- **The University of Michigan Consumer Sentiment Index** slipped 0.7 points to 91 in the final March reading, as both the expectations and present situation components fell. **The Conference Board Consumer Confidence Index** rose 2.2 points to 96.2 in March as an increase in expectations outweighed a fall in confidence in the present situation.
- **Initial claims for unemployment insurance** increased by 11,000 to 276,000 in the week ending March 26, according to the Department of Labor, marking an eight-week high. The four-week moving average increased by 3,500 to 263,250.

The Labor Force Participation Rate Continues Its Recent Turnaround



Source: Bureau of Labor Statistics

Consumer Saving Rate Increases as Spending Remains Lackluster

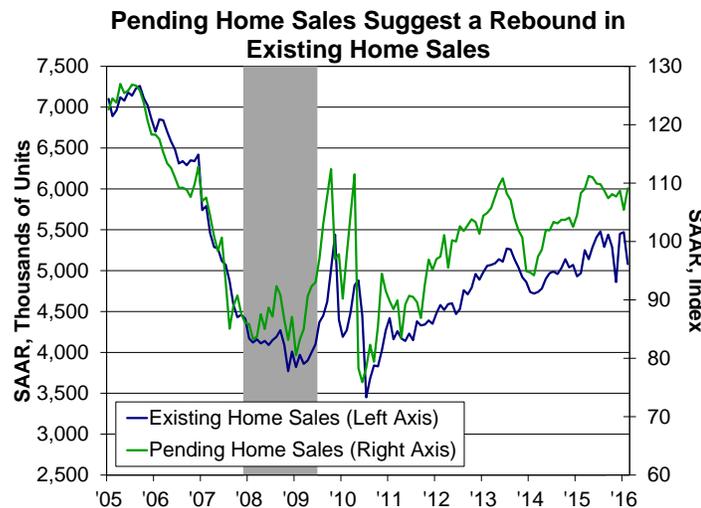


Source: Bureau of Economic Analysis

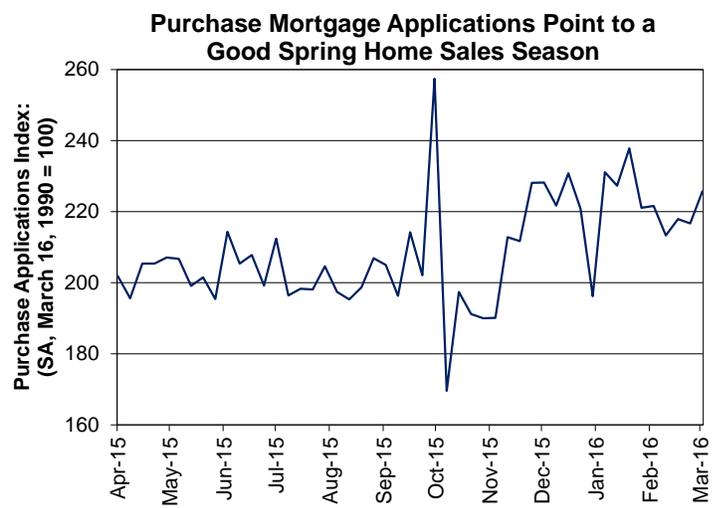
Housing: A Decent Spring Selling Season Likely Awaits

This week's reports are encouraging for existing home sales going into the spring selling season after their steep decline in February. Pending home sales, which record contract signings of existing homes and typically lead closings by about two months, jumped in February to the highest reading since last July. Purchase mortgage applications, another leading indicator of home sales, last week continued an upward trend that started in mid-February. Annual home price gains strengthened further in January, with the Case-Schiller index posting the biggest increase since July 2014. The February construction spending report was consistent with an earlier report on housing starts during the month, which showed a jump in single-family starts and a slight rise in multifamily starts. The report suggests another strong gain in real residential investment for the first quarter of this year following a double-digit annualized gain in the fourth quarter of 2015. A positive contribution from the housing sector is much needed, given what looks to be another quarter of lackluster economic growth at the start of the year. Mortgage rates should continue to support the housing market, with the 30-year fixed mortgage rate holding steady at 3.71 percent this week, according to Freddie Mac.

- **Private residential construction spending** rose 0.9 percent in February, according to the Census Bureau. Spending on new single-family homes increased 1.2 percent from the previous month and was 10.6 percent higher than a year ago. Spending on new multifamily homes edged up 0.9 percent from January and was up 24.1 percent from last February.
- **The National Association of REALTORS® pending home sales index** rose 3.5 percent in February, marking the second increase over the past three months. Pending sales edged down in the Northeast but rose in every other region, with sales in the Midwest posting a double-digit increase.
- **The S&P / Case-Schiller National Home Price Index** (not seasonally adjusted) was flat in the three months ending in January. From one year ago, prices were up 5.4 percent.
- **Mortgage applications** fell 1.0 percent in the week ending March 25, according to the Mortgage Bankers Association. Purchase applications increased for the third time over the last four weeks, rising 2.1 percent. Refinance applications decreased 3.3 percent, marking a sixth consecutive drop. The average contract interest rate for 30-year fixed-rate mortgages ticked up to 3.94 percent from 3.93 percent.



Source: The National Association of REALTORS®



Source: The Mortgage Bankers Association

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