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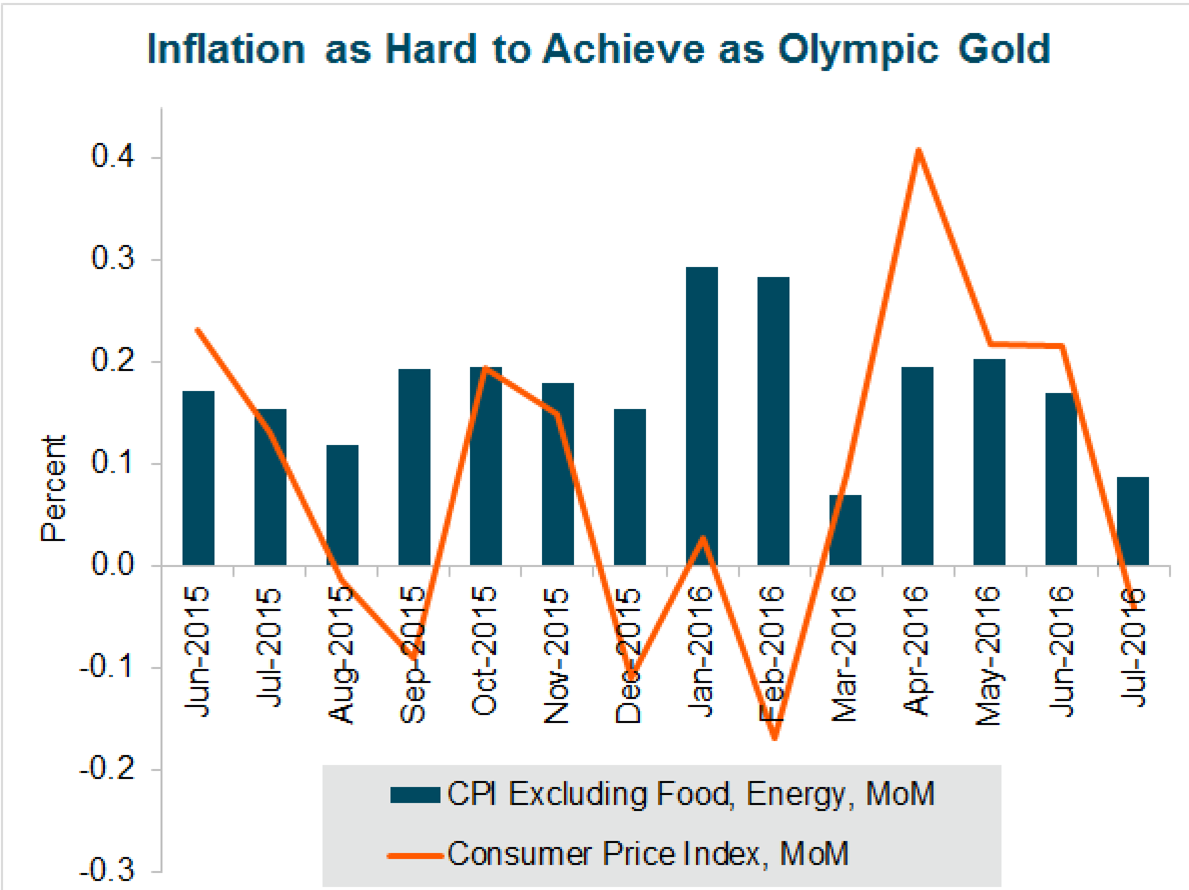

The world's eyes have been focused on Brazil over recent weeks with the Rio Olympics providing an interesting reflection of some of the major economies around the world in 2016. The United States remains the global powerhouse, while China's performance has underwhelmed and appears a little shaky but still stronger than Russia, which has been severely impacted by external rulings. Meanwhile, Great Britain has moved against Europe with renewed domestic focus and its best-ever performance in the Olympics.

Away from Rio, financial markets closely followed and dissected the Federal Open Market Committee (FOMC) minutes from the July 26–27 meeting. As highlighted last week, most economists are not expecting a rate hike until the December 13–14 meeting, and this is unlikely to have changed significantly with the benefit of these minutes. While there was some hawkish commentary highlighting the tight labor market, the majority of the committee continues to be concerned about global uncertainties, such as Brexit and any knock-on instability in the financial markets. Subsequent to the July 26–27 Federal Reserve meeting, the strong July jobs number of 255,000 will have helped alleviate fears and confirmed the May jobs number of just 38,000 was an aberration.

However, other economic data provide less imperative for the FOMC to lift rates in the near term as the Consumer Price Index (CPI) remains subdued, and GDP significantly undershot expectations in the second quarter. Excluding food and fuel costs, the increase in core CPI was just 0.1 percent in July, the smallest month-on-month (MoM) increase since March and falling short of consensus expectations. A lack of any inflationary pressure in the economy will provide the dovish members of the FOMC plenty of reason to maintain their wait-and-see approach, which has been in place since December 2015.

The housing market has been one of the bright spots of the U.S. economy in 2016, a trend which has continued last week with some supportive data releases. The National Association of Home Builders' Housing Market Index increased two points to 60 in August, continuing the slow-and-steady growth on a 12-month rolling average basis. July housing starts reflected the positive sentiment, increasing 2.1 percent MoM to the highest level in five months and exceeding consensus estimates to reach 1.211 million. However, building permit data provided reason for caution, ticking down 0.1 percent for privately owned housing units MoM to a seasonally adjusted 1.152 million. An increasingly clear trend in the residential housing sector has been the strengthening in single-family permits, up 7.2 percent July year-to-date compared with weakness in multifamily development over the past several months.

In addition to a stronger housing market, industrial production in the United States appears to have turned a corner, or at least stabilized. Manufacturing data in July posted its largest uptick in more than a year, up 0.7 percent seasonally adjusted. This is the second consecutive month of stronger data suggesting that competitiveness in the manufacturing sector is improving, likely boosted by some easing in the strength of the U.S. dollar and strong auto demand. Moving forward, the Federal Reserve will be treading a fine line between ensuring these green shoots of growth are maintained while keeping a close watch on any inflationary pressure, which still appears under control at this stage.

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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 24-question survey will help us to gauge how manufacturing sentiment has changed since June's survey. The survey includes special questions on monetary policy, capital spending, regulatory compliance costs and international trade. To complete the survey, click here. Responses are due by Monday, August 29, at 12:00 p.m. EDT. As always, all responses are anonymous.*

Editor's Note: *Many thanks to Luke Chandler of Deere & Company for compiling this week's Monday Economic Report.*

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Economic Indicators

Last Week's Indicators:
(Summaries Appear Below)

Monday, August 15
NAHB Housing Market Index
New York Fed Manufacturing Survey

This Week's Indicators:

Monday, August 22
Chicago Fed National Activity Index

Tuesday, August 16
Consumer Price Index
Housing Starts and Permits
Industrial Production

Wednesday, August 17
FOMC Minutes – July 26–27 Meeting

Thursday, August 18
Conference Board Leading Indicators
Philadelphia Fed Manufacturing Survey

Friday, August 19
State Employment Report

Tuesday, August 23
New Home Sales
Richmond Fed Manufacturing Survey

Wednesday, August 24
Existing Home Sales

Thursday, August 25
Durable Goods Orders and Shipments
Kansas City Fed Manufacturing Survey

Friday, August 26
Gross Domestic Product (Revision)
International Trade in Goods (Preliminary)

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Questions or comments?

Contact Chief Economist Chad Moutray at cmoutray@nam.org.

Center for Manufacturing Research