SECOND QUARTER 2017 GDP: 2ND ESTIMATE/AUGUST EMPLOYMENT SITUATION REPORT

Good day everyone. Thank you for joining us once again here at Seifried & Brew for our weekly briefing. I hope everyone had a great Labor Day weekend; it's hard to believe that the 2017 Summer is at an end. I unofficially put that the Labor Day weekend is the end of the summer and I can't believe it's already over. And with that, last week what we got are the numbers out for the second estimate of the second quarter GDP. So, we're going to go ahead and go over that, as well as, the employment situation report for August, both very important at this stage of our economic expansion.

(Slide 2) As you know it came out at 3%; that was an increase here, up from that 2.6% growth in the second quarter that we saw in the advanced release; so, this increase is a big positive. (Slide 3) So if you look at this going back quarterly you can see here we are at this 3% growth rate. We have to go all the way back to the first quarter of 2015 in order to see a number higher than that. So, this is a fairly strong number that we have in here, better than the majority of the growth rates going back here three years.

(Slide 4) When we look at the individual components of the GDP we can see the changes from the advance release to the second release. Overall the consumer segment at 2.28, up from where it was at 1.93. So, these are the contributions to the overall GDP growth. So, for the second quarter, from the advanced release to the second release here, we looked at it, 35 bps positive here; so, we picked up 35 bps inside the consumer segment. Not much of a surprise because we had that very positive adjustment in the retail sales number for June, so that's important to remember. Also, when we look at the individual numbers inside here, a lot of this growth came from the motor vehicles and parts segment so that's a positive (more than a third of the growth came in from that). So that's good, we saw positive increases in there. For the investments portion we went from 0.34 to 0.60 here, increasing 26 bps as a contribution. A lot of that's coming in from the software investments with inside the business investments here, so that's a positive. We did see a slight improvement in the residential real estate investment or fixed investment so that was a positive; that improved a little bit. And also we saw an improvement in that inventories number. So overall both of these showing good potential here as you move into the third quarter.

We look at the government section. We pulled back here, 17 bps. Went from a positive 12 bps to a negative 5 bps. So, when we compare the advance to the second release we are pulling off of the contribution 17 bps. And the majority of that was due to the state and local governments kind of pulling off their spending. With exports-imports we just added 3 bps here so not a significant change. So overall, we look at the contributions in a distribution we still see that big segment and good movements inside the consumer as well as the investment portion and that's what we're hoping to continue to see as we move into the third quarter.

(Slide 5) Looking at the next release here, the employment situation report that came out on Friday. You can see kind of a disappointing number in the overall jobs created, at that 156 in here and below the last two months. In fact when we look back, there were negative revisions on the past two months, July and June. So we had everything kind of pulled down. Not a very strong report in here

(Slide 6) We look at the overall unemployment rate and we saw the unemployment rate go up from 4.3% to 4.4%. Very small adjustments and in fact we look back, all the way back to April, we've been floating around this 4.4, 4.3 rate. I think that's just going to continue as we move along in this expansion. If we look at the U6 number again,

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remember, this is the all-encompassing unemployment rate, we did stay the same at that 8.6% mark. So, we've been floating around there and it's been consistent over the past three months.

(Slide 7) When we look at wages, average weekly hours, we can see came off just a little bit from 34.5 to 34.4 so we pulled off just a little bit. We look at the average hourly earnings though and we moved from 26.36 up to 26.39, a slight adjustment. Year-over-year up about 2.5%, so still below the historical average of about 3% in here. We're trying to see and expect that number to continue up. However, there was an article in The Wall Street Journal on the 31st that suggested here the reason why we're not seeing these wage pressures is because the outflow of the retirement individuals and the inflow of the younger generation which is bringing down those growth rates so it's something to keep an eye on. Eventually we should start to see this pressure on these wages here pushing it up but we just haven't seen that yet. Overall when we look at the average weekly earnings we see a slight decline from $909.42 to $907.82. We saw that slight decline due to the reduction in the average hours worked.

So overall that's what we have for you today. We had a pretty good GDP release number, that second release, that's good, 3% is positive. Above what we were anticipating, but that employment situation report was a little less positive. It was kind of a disappointing report in here. Everyone have a great week. And unfortunately. the summer is over. We'll talk to you next week.

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