

It was a busy week. A plethora of U.S. economic data was released. The Federal Reserve increased the fed funds rate and other central banks made policy announcements. Politics happened on both sides of the Atlantic. Even with all that, the U.S. economic story has not changed much. We still expect to see a stronger U.S. economy this year. There is still fiscal policy uncertainty. The Fed is still tightening.

The National Federation of Independent Business's Small Business Optimism Index for February remained elevated, showing that the post-election surge in small business optimism was no fluke.

The Conference Board's Leading Economic Index increased by 0.6 percent in February. Gains were broad-based.

Retail sales for February were weak, as expected, gaining just 0.1 percent. We knew that retail sales of automobiles would be close to neutral as unit auto sales were little changed at a 17.6 million unit rate in February.

Housing starts increased in February, propelled by a strong 6.5 percent increase in single-family starts to an 872,000 unit annual rate. This is the strongest single-family construction rate since October 2007. Permits for new residential construction eased by 6.2 percent in February, weighed down by a drop in multifamily permits. According to the National Association of Home Builders, builder confidence jumped to a 12-year high in March.

Initial claims for unemployment insurance dipped by 2,000 for the week ending March 11, to hit 241,000. Continuing claims fell by 30,000 to hit 2,030,000 for the week ending March 4. These are very good numbers indi-

cating tight labor market conditions.

The Job Openings and Labor Turnover Survey for January also showed ongoing strength in the labor market. The rate of job openings was unchanged in January at 3.7 percent.

Overall consumer prices increased by 0.1 percent in February, a little more than expected given the small drop in energy prices. Over the 12 months ending in February, the headline CPI was up by 2.7 percent. The year-over-year growth rate is elevated primarily as a result of the very weak oil prices this time last year.

The Producer Price Index for Final Demand increased by a strong 0.3 percent in February. Over the last 12 months core PPI is up 1.8 percent, while the headline PPI has gained 2.2 percent.

Business inventories increased by 0.3 percent in January, suggesting that inventories will provide support to headline GDP for the first quarter of 2017.

Industrial production was unchanged in February after dipping slightly in January. Warm weather reduced utility output for the second month in a row.

The New York Fed's Empire State Manufacturing Survey ticked down slightly, but showed ongoing improvement in area manufacturing conditions in March. The Philadelphia Fed's Manufacturing Business Outlook Survey also showed a modest dip to a still-strong level.

President Trump unveiled his "skinny" budget proposal. Congress has a lot of work to do on that and on healthcare. The Dutch kept Prime Minister Mark Rutte's center-right party in power.

Survey	Last Actual	Comerica Economics Commentary
Fed Funds Rate (Effective) <i>(after the FOMC meeting of 3/14-3/15)</i>	0.66 % (Feb)	After increasing the fed funds rate range on Wednesday, the Fed will stand pat on May 3. The Bank of Japan kept its expansive policy unchanged. The Bank of England also kept policy unchanged.
February Existing Home Sales (3/22, Wednesday) Consensus: 5,580 k	5,690 k (Jan)	<u>Down</u> to a 5,575 k unit rate. Inventory is tight and mortgage apps for purchase were soft early in the month.
February New Home Sales (3/23, Thursday) Consensus: 565 k	555 k (Jan)	<u>Unchanged</u> at a 555 k unit rate. New home sales remain well below their July 2016 peak.
February Durable Goods (3/24, Friday) Consensus: 1.0 percent	0.4 % (Jan)	<u>Up</u> by 1.0 percent. Manufacturing indicators have been positive recently.

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March/April 2017

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY																																																																																																								
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