Comerica Economic Alert

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February 2019 Leading Indicators, March UI Claims

Leading Indicators Improve in February

- The Conference Board's Leading Economic Index for February increased by 0.2 percent.
- Initial Claims for Unemployment Insurance fell by 9,000 for the week ending March 16, to hit 221,000.

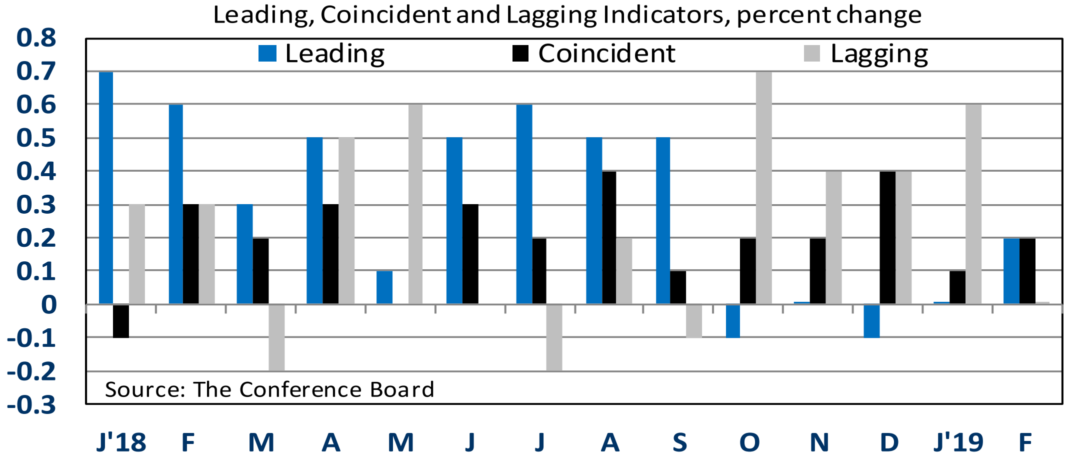
The Conference Board's Leading Economic Index for the U.S. improved in February, breaking a four-month string of flat-to-down months that started last October. The Leading Index increased by 0.2 percent in February, pushed by the rally in stock prices. Other positive factors were credit conditions, consumer expectations for business conditions, interest rate spread, manufacturers' new orders for nondefense capital goods excluding aircraft and manufacturers' new orders for consumer and goods and materials. The negative factors in the February Leading Index were weekly manufacturing hours worked and average weekly claims for unemployment insurance. The break out of the four-month stall in the Leading Index comes as welcome news. However, the fact that the February Leading Index was driven by stock market performance invites some healthy skepticism. Nonetheless, the headline reading is good news. The Coincident Index also increased by 0.2 percent in February, driven by personal income. Manufacturing and trade sales, industrial production and payroll employment were also listed as positive factors. The monthly change in employment was barely positive in February. The Coincident Index has shown steady gains in recent months. The Lagging Index was unchanged in February, breaking a string of four consecutive positive months. The positive contributors to the Lagging Index in February were commercial and industrial loans and the ratio of manufacturing and trade inventories to sales. Negatives for the Lagging Index were average duration of unemployment and unit labor costs for manufacturing. All in, the three indexes show slower, but ongoing, momentum for the U.S. economy through the first quarter.

The weekly unemployment insurance claims data appears to be settling down after a period of volatility from December through February, exacerbated by the partial federal government shutdown. The trend from late February through mid-March has been relatively stable at a slightly higher level than we saw during the exceptional stretch from late last summer through early fall. Even though we had a surprisingly weak 20,000 job net payroll gain in February the unemployment insurance claims data do not suggest that the labor market is weakening significantly. Initial claims for unemployment insurance fell by 9,000 for the week ending March 16, to hit 216,000. Continuing claims fell by 27,000 for the week ending March 9, to hit a very low level of 1,750,000. We expect March payroll job growth to rebound after the weak February data.

Market Reaction: U.S. equity markets opened with gains. The 10-year Treasury bond yield is down to 2.52 percent. NYMEX crude oil is up to $60.12/barrel. Natural gas futures are down to $2.82/mmbtu.

Leading Index Back in the Black in February

Leading, Coincident and Lagging Indicators, percent change



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