The US Economy

Output. Overall the economic outlook is good. Real GDP grew at a seasonally adjusted annual rate of 3.69%, which exceeds the 3.0% most economists think is necessary to reduce unemployment, moreover real investment grew at an impressive 5.17%. Capacity utilization, i.e. the fraction of overall productive capacity being used, is down slightly since one year previous, but is still very strong at 78%. This is still very encouraging for growth over the next 12 months.

The Philadelphia Fed’s Leading Index for the United States is forecasting 1.7% growth over the next six months.

Labor Market. Nationally, the job market remained steady in the month of September. Total nonfarm employment increased by a slightly disappointing 173,000 while the unemployment rate edged down to 5.1% according to the Bureau of Labor Statistics Employment Situation Report. The number of involuntary part-time workers was little changed in August at 6.5 million, and the number of marginally attached and discouraged workers fell by 480,000 from one year previous.

Output

<table>
<thead>
<tr>
<th>Output</th>
<th>Release Date</th>
<th>Level %</th>
<th>Change from one year ago</th>
<th>Change from last month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity Utilization</td>
<td>Jul ’15</td>
<td>78.0%</td>
<td>-0.30</td>
<td>0.30</td>
</tr>
<tr>
<td>Leading Index</td>
<td>Jul ’15</td>
<td>1.57%</td>
<td>-0.71</td>
<td>0.01</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>Aug ’15</td>
<td>5.1%</td>
<td>-1.00</td>
<td>-0.20</td>
</tr>
</tbody>
</table>
warehousing, and government. Initial claims for unemployment at the end of August were 23,000 claims lower than they were at the same time in 2014.

**National Inflation.** The Consumer Price Index, an inflationary indicator based on the average price of a fixed basket of consumer goods, was all but unchanged, showing a 0.21% year over year increase in July. However, leading indicators of inflation, namely the producer price index and the employment cost index are both down significantly. Thus, predicting when the Fed will begin to increase interest rates or take steps to reduce the monetary base to normal levels is difficult. Though none of the current inflation indicators point to near term inflationary pressure, the economy is exhibiting good growth and the labor market is beginning to show signs of strength. Therefore, it is quite reasonable to expect the Federal Reserve to begin increasing interest rates in the not too distant future.

**Minnesota and Wisconsin**

**Employment.** Total nonfarm employment in Wisconsin increased by 12,400, and total nonfarm employment in Minnesota decreased by 3,900. In Wisconsin, nearly all sectors saw job growth with the most significant job gains occurring in manufacturing, financial activities, professional and business services, other services and government. This is the first increase in total nonfarm employment seen in Wisconsin since February. In Minnesota the picture is more mixed with significant job losses in construction, trade, transportation and utilities, and leisure and hospitality. The Minneapolis-St. Paul-Bloomington MSA gained 1,800 jobs. The unemployment rate in both states changed little, 4.6% in Wisconsin, and 4.0% in Minnesota.
Housing Market. The Wisconsin Association of Realtors reported that the number of existing homes sales increased in July by 16.9 percent from one year previous. The median home price in Wisconsin increased by 3.8 percent over the past year to $163,999.

“Summer is obviously our peak sales period, and it’s encouraging to see a continuation of the strong sales that began in the spring,” said Dan Kruse, WRA board chairman. “This is the strongest spring and early summer sales volume we’ve seen since before the recession,” said Kruse.

--- 2015 July Home Sales Report

The Case-Shiller Home Price Index, which is a more accurate measure of overall home prices than is median home price, continued to show improvement. The home price index has exhibited consistently positive year over year change. Moreover, the number of homes listed for sale has declined while the average listing price has increased indicating strong demand relative to supply.

The Valley

Regional Indicators. The regional labor market continues to be strong. Across the St. Croix Valley, unemployment rates fell in all counties. Labor Force and Employment increased, indicating a strengthening in employment conditions. The unemployment rate in the region remains at or below the state average for all counties. The housing market continues to strengthen in a manner similar to the state markets. The median home listing price for the region increased by 3.32% and the number of homes listed in the region has decreased by 90.92% over the last year. The Case-Shiller home price index continues to indicate increasing home prices both nationally and for the Minneapolis-St. Paul-Bloomington MSA.