

Economic Update, October 8, 2021

Submitted by Bob Moreo

Summary: Early in the week, data from IHS Markit and the Institute for Supply Management both showed continued expansion for service-sector businesses—but at a slower rate of growth. [Nalak Das notes for Yahoo! Finance](#) that the ISM purchasing managers' index reading of 61.9 outpaced consensus estimates of 60. That news came ahead of two key jobs reports for September. On Wednesday, ADP reported a gain of 568,000 private-sector jobs last month, which [FOX Business reporter Jonathan Garber](#) said beat expectations of just 428,000. Ahead of Friday's *Employment Situation* report from the Labor Department, MarketWatch's Jeffrey Bartash [wrote on Thursday](#) that Wall Street was expecting a gain of 500,000 jobs for the month. Unfortunately, expectations were not met. The report said just 194,000 jobs were gained, a total [CNBC's Jeff Cox notes](#) was hurt by a reported "123,000 decline in government payrolls." A trio of economists say [the U.S. economic recovery is slowing down, but "Don't Be Alarmed."](#) Despite slipping consumer and business confidence (see ["America's CEOs are losing confidence in the economy"](#)), stubbornly high inflation, labor shortages, and supply-chain bottlenecks, their article in the *Harvard Business Review* gives five reasons to be confident in the expansion and advises firms on how to hang on until business recovers. The authors present a lot of good information and, frankly, after the jobs report I like the optimism.

### **Federal Government Indicators and Reports:**

Bureau of Economic Analysis

Tuesday, [U.S. International Trade](#): "The U.S. . . . goods and services deficit was \$73.3 billion in August, up \$2.9 billion from \$70.3 billion in July, revised. August exports were \$213.7 billion, \$1.0 billion more than July exports. August imports were \$287.0 billion, \$4.0 billion more than July imports."

Friday, [Personal Consumption Expenditures by State](#): "State personal consumption expenditures (PCE) decreased 2.6 percent in 2020 after increasing 3.7 percent in 2019." PCE decreased by 1.0 percent in Tennessee. "Food services and accommodations decreased 20.5 percent nationally . . . [and] recreation services decreased 28.6 percent." PCE nationwide was about \$381 billion less in 2020 compared to 2019.

Bureau of Labor Statistics

Friday, [Employment Situation](#): "Total nonfarm payroll employment rose by 194,000 in September, and the unemployment rate fell by 0.4 percentage point to 4.8 percent. . . . The number of unemployed persons fell by 710,000 to 7.7 million. . . . The labor force participation rate was little changed at 61.6 percent. . . . Nonfarm employment has increased by 17.4 million since a recent trough in April 2020 but is down by 5.0 million, or 3.3 percent, from its pre-pandemic level in February 2020." A reported decrease of 144,000 local education jobs had a significant negative effect on the total figure. "Since February 2020, employment is down by 310,000 in local government education, by 194,000 in state government education, and by 172,000 in private education."

Census Bureau

Monday, [Manufacturers' Shipments, Inventories, and Orders \(Full Report\)](#): New orders and shipments of manufactured goods increased in August by 1.2 percent and 0.1 percent, respectively (seasonally adjusted). Each has increased in 15 of the last 16 months. Unfilled orders increased 1.0 percent, the seventh consecutive month with an increase. New orders in August for one category alone, nondefense aircraft and parts, were \$7.2 billion more than in July. Excluding transportation, new orders for manufactured goods in August increased by \$2.1 billion, or 0.5 percent, from July.

Friday, [Monthly Wholesale Trade](#): “August 2021 sales . . . were \$595.5 billion, down 1.1 percent from the revised July level, but were up 20.6 percent from the revised August 2020 level. . . . Total inventories . . . were \$731.1 billion at the end of August, up 1.2 percent from the revised July level. Total inventories were up 12.3 percent from the revised August 2020 level.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending October 2, the advance figure for seasonally adjusted initial claims was 326,000, a decrease of 38,000 from the previous week’s revised level.” In Tennessee, the unadjusted advance figure for initial claims filed during the week ending October 2 was 4,637, up 422 from the previous week.

Federal Reserve Board

Thursday, [Consumer Credit](#): “In August, consumer credit increased at a seasonally adjusted annual rate of 4 percent. Revolving credit increased at an annual rate of 3.6 percent, while nonrevolving credit increased at an annual rate of 4.1 percent.” Total outstanding consumer debt was \$4.35 trillion. This excludes loans secured by real estate.

### **Economic Indicators and Confidence:**

The Conference Board

Thursday, [CEO Confidence](#): The *Measure of CEO Confidence* for the third quarter of 2021 fell to 67 from its all-time high of 82 in the previous quarter, still indicating a positive outlook. “In Q3, 70 percent said [current economic] conditions are better compared to six months ago . . . [and] 60 percent of CEOs expect economic conditions to improve over the next six months.”

IHS Markit

Tuesday, [U.S. Sector PMI](#): “September data revealed that business activity expanded in all seven broad categories monitored by the US Sector PMI. A majority of sectors reported slower growth than in August, with Basic Materials, Healthcare, and Industrials the exceptions. . . . Consumer Goods producers saw the biggest loss of momentum, with the index slipping from 57.2 to 52.8 in September. This pointed to the weakest rate of output growth since August 2020, which largely reflected shortages of materials due to the global supply chain crisis.”

Tuesday, [U.S. Services and Composite PMI](#): “The seasonally adjusted final IHS Markit US Services PMI Business Activity Index registered 54.9 in September, slightly higher than 54.4 posted by the earlier released ‘flash’ estimate but down from 55.1 in August. Output growth remained strong overall, despite softening to the slowest in nine months. . . . Business expectations regarding the outlook for activity over the coming 12 months improved during September.” As for the composite index, it “posted 55.0 in September, down from 55.4 in August to signal a strong, albeit slower expansion in private sector business activity. The rate of growth was the softest in a year amid slower upturns in both monitored sectors.”

Institute for Supply Management

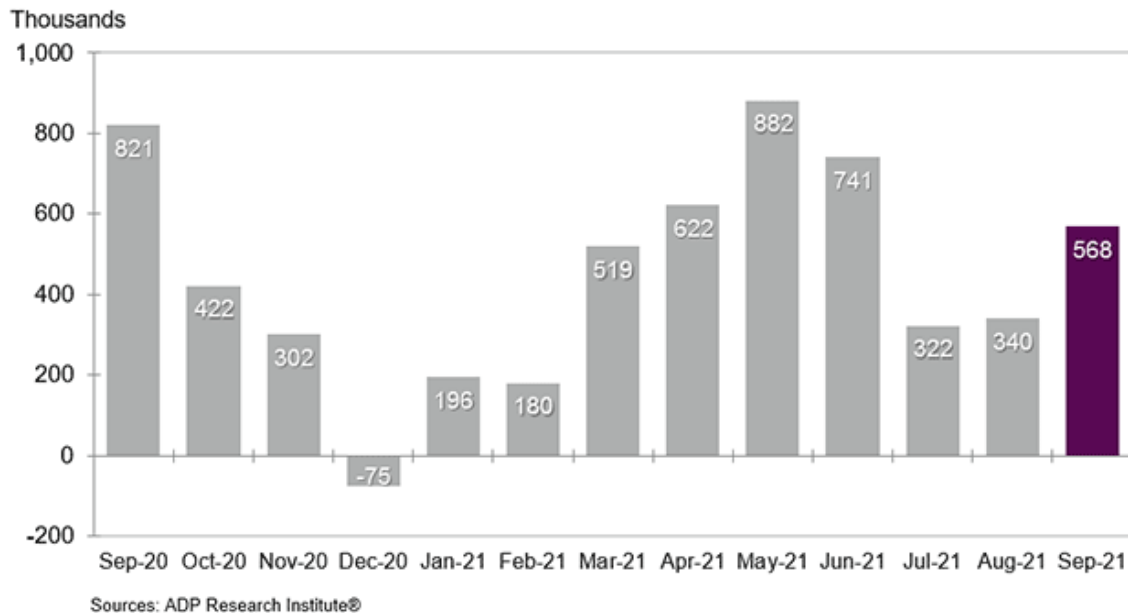
Tuesday, [Services ISM Report On Business](#): “The Services PMI registered 61.9 percent, 0.2 percentage point higher than the reading of 61.7 percent in August. The September reading indicates the 16th straight month of growth for the services sector, which has expanded for all but two of the last 140 months.”

Tuesday, [Economic Optimism Index](#): “Although the pandemic is now on the wane, investors have turned less bullish amid inflation worries and the Dow Jones’ first monthly drop since January, the October IBD/TIPP Poll finds. The IBD/TIPP Economic Optimism Index, an early monthly read on consumer confidence, slipped deeper into pessimistic territory, falling 1.7 points to a 13-month-low 46.8. Readings above the neutral 50 level reflect optimism.”

### **Employment and Businesses:**

ADP

Wednesday, [National Employment Report](#): “Private sector employment increased by 568,000 jobs from August to September,” according to ADP data. ADP chief economist Nela Richardson said, “Leisure and hospitality remains one of the biggest beneficiaries to the recovery, yet hiring is still heavily impacted by the trajectory of the pandemic, especially for small firms. Current bottlenecks in hiring should fade as the health conditions tied to the COVID-19 variant continue to improve, setting the stage for solid job gains in the coming months.”



Challenger, Gray, & Christmas

Thursday, [Job Cuts Report](#): “Job cuts announced by U.S.-based employers rose 14% in September to 17,895 from the 24-year low of 15,723 cuts announced in August . . . [but] September’s total is 85% lower than the same month last year, when 118,804 cuts were announced. Employers announced 52,560 job cuts in the third quarter, the lowest quarterly total since the second quarter of 1997 . . . [and] 23% lower than the 67,975 cuts announced in the previous quarter.” The report also said, “hiring announcements exploded in September, a month when many big box retailers, shipping, and warehousing companies announce seasonal hiring plans.” It notes an announcement by Amazon to hire 125,000 logistics and warehousing workers expected to be permanent positions.

Paychex | IHS Markit

Tuesday, [Small Business Employment Watch](#): “National job growth continued to tick upward in September. . . . The data released in the latest report . . . shows the Small Business Jobs Index reached

99.95. . . ‘While the growth rate of the national jobs index has slowed over the past two months, the index is now close to 100, its highest level since mid-2017,’ said James Diffley, chief regional economist at IHS Markit.” See where Tennessee ranks among the 20 most populated states [here](#).

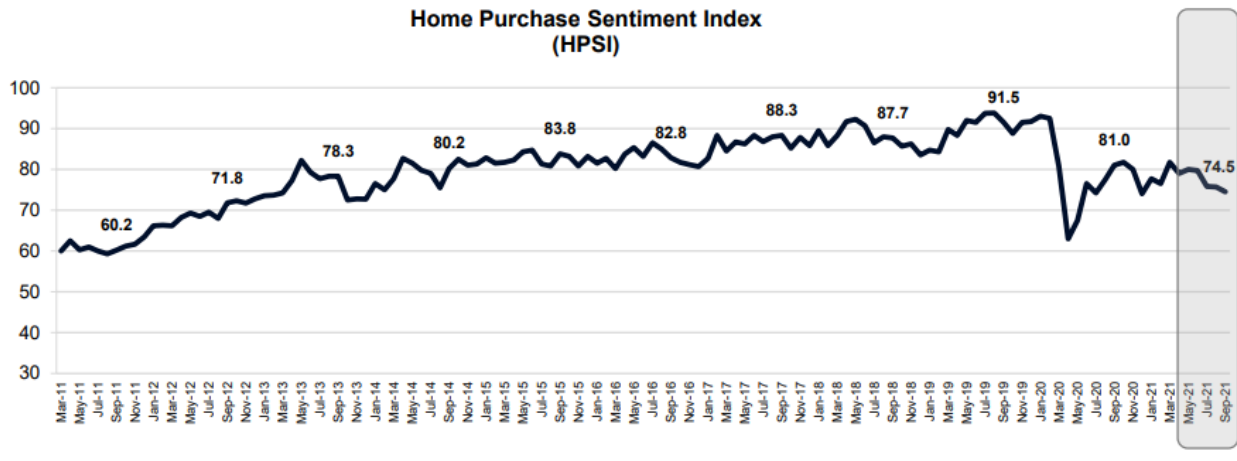
#### S&P Dow Jones

Wednesday, [S&P 500 LinkUp Jobs Index](#): The overall jobs index was up 1.04% this week, reaching a level of 198.07. The utilities and financial sectors showed the largest percentage increases at 3.93% and 2.98% respectively.

### **Mortgages and Housing Markets:**

#### Fannie Mae

Thursday, [Home Purchase Sentiment Index](#): “The Fannie Mae Home Purchase Sentiment Index decreased 1.2 points to 74.5 in September, as survey respondents continued to report divergent opinions of homebuying and home-selling conditions. . . . Year over year, the full index is down 6.5 points.” Sixty-six percent of consumers say this is a bad time to buy a home, “up from 63 percent last month and significantly higher than the 28 percent of respondents who believe it’s a good time to buy.”



Source: [Fannie Mae September 2021 Data Release](#).

#### Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): The average rate for a 30-year fixed-rate mortgage was 2.99 percent for the week ending October 7. “Mortgage rates continue to hover at around three percent again this week due to rising economic and financial market uncertainties,” said Sam Khater, Freddie Mac’s chief economist. “Unfortunately, with the expectation that both mortgage rates and home prices will continue to rise, competition remains high and housing affordability is declining.”

#### Mortgage Bankers Association

Wednesday, [Weekly Applications Survey](#): For the week ending October 1, mortgage application volume was 6.9 percent less than the week before. “Mortgage applications to refinance dropped almost 10 percent last week to the lowest level in three months,” said Joel Kan, MBA’s Associate Vice President of Economic and Industry Forecasting. The average contract interest rate for 30-year fixed-rate mortgages was 3.14 percent.