

Economic Update, November 6, 2020
Submitted by Bob Moreo

Summary: Job growth remains weak, but new layoffs continue to decrease as well, and unemployment claims are slowly declining. Data from IHS Markit showed broad economic growth across all sectors in October, although consumer services activity trails that of other sectors. US firms reported record improvements in their optimism for the next 12 months. Global data released Thursday [“signaled higher output in 17 out of 21 sectors in October,”](#) led by a strong automotive sector. The Federal Reserve Open Market Committee met this week, voting to keep its target interest rate at zero and maintain Treasury purchases at the current pace. In his [press conference](#), Fed Chair Jerome Powell said “the pace of improvement from May and June has now moderated” and that he sees “continued expansion but at a gradually moderating pace.” With regards to government stimulus, he said “the support provided by the CARES Act was absolutely essential in supporting the recovery that we’ve seen so far,” adding that “further support is likely to be needed.” Jed Graham, of [Investor’s Business Daily](#), called this a “status quo” response. He says some economists would like to see more efforts to lower consumer credit interest rates, which would “help stimulate economic activity.”

Federal Government Indicators and Reports:

Bureau of Economic Analysis

Wednesday, [US International Trade](#): The US goods and services trade deficit “was \$63.9 billion in September, down \$3.2 billion from \$67.0 billion in August. . . . September exports were \$176.4 billion, \$4.4 billion more than August exports. September imports were \$240.2 billion, \$1.2 billion more than August imports.”

Bureau of Labor Statistics

Thursday, [Productivity and Costs, Third Quarter](#): “Nonfarm business sector labor productivity increased 4.9 percent in the third quarter of 2020, . . . as output increased 43.5 percent and hours worked increased 36.8 percent. . . . Over the last four quarters, nonfarm business productivity increased 4.1 percent. . . . A decline of 9.1 percent in real hourly compensation in the third quarter of 2020 was the largest decline in the series, and reflects the combination of a 4.4-percent decline in hourly compensation and a large increase in the BLS consumer price index series for the third quarter of 5.2 percent at an annual rate. . . . Although gains were historically large, the third-quarter 2020 output and hours worked index levels remain below their fourth quarter of 2019 levels, the last quarter before the coronavirus (COVID-19) pandemic began.”

Friday, [The Employment Situation](#): “Total nonfarm payroll employment rose by 638,000 in October, and the unemployment rate declined to 6.9 percent . . . reflect[ing] the continued resumption of economic activity that had been curtailed due to the coronavirus (COVID-19) pandemic and efforts to contain it. In October, notable job gains occurred in leisure and hospitality, professional and business services, retail trade, and construction.” There’s a lot of additional information in this report for those interested. Although the unemployment rate has declined for six straight months it is still almost double what it was in February, and in October, more than 15 million people reported they had been unable to work because their employer closed . . . or lost business during the pandemic. A little more than one in five of those who are employed reported teleworking in October because of the pandemic, though there was a slight decline from September.

Census Bureau

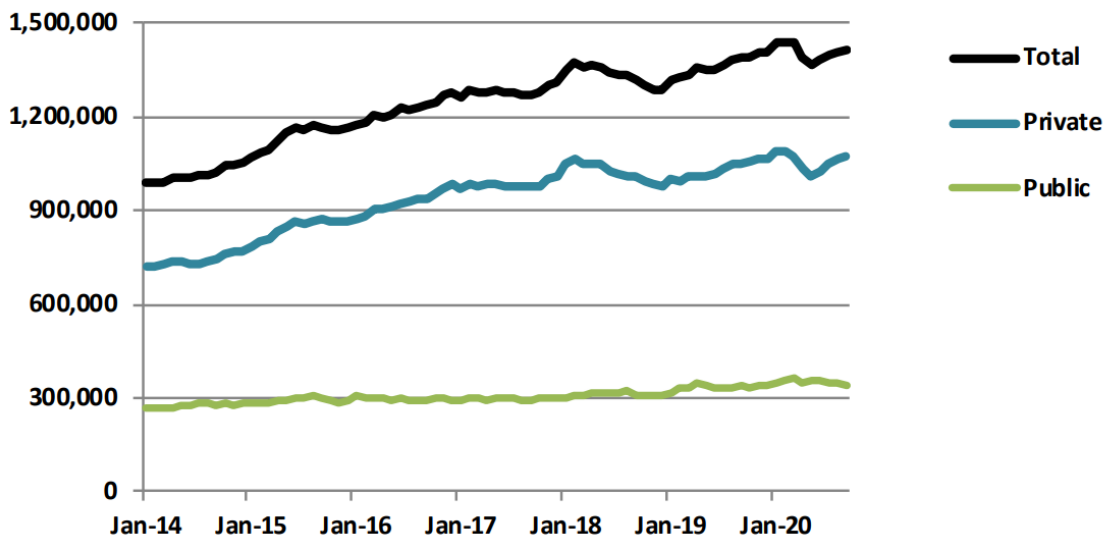
Monday, [Construction Spending](#): “Construction spending during September 2020 was estimated at a seasonally adjusted annual rate of \$1,414.0 billion, 0.3 percent above the revised August

estimate of \$1,410.4 billion. The September figure is 1.5 percent above the September 2019 estimate of \$1,393.3 billion. During the first nine months of this year, construction spending amounted to \$1,058.5 billion, 4.1 percent above the \$1,016.7 billion for the same period in 2019.”

Construction Spending

(Seasonally Adjusted Annual Rate)

Millions of dollars



Source: U.S. Census Bureau, November 2, 2020.

Tuesday, [Manufacturers’ Shipments, Inventories, and Orders](#): “New orders for manufactured goods in September, up five consecutive months, increased \$5.2 billion or 1.1 percent to \$475.0 billion. . . . Shipments, also up five consecutive months, increased \$1.6 billion or 0.3 percent to \$482.8 billion. . . . Unfilled orders, down six of the last seven months, decreased \$2.5 billion or 0.2 percent to \$1,075.9 billion. . . . [New orders for] transportation equipment, up four of the last five months, led the increase, \$3.1 billion or 4.1 percent to \$76.8 billion.”

Friday, [Monthly Wholesale Trade](#): “September 2020 sales of merchant wholesalers, except manufacturers’ sales branches and offices, after adjustment for seasonal variations and trading day differences but not for price changes, were \$486.0 billion, up 0.1 percent from the revised August level, but were down 2.3 percent from the revised September 2019 level. . . . Total inventories . . . were \$638.5 billion at the end of September, up 0.4 percent from the revised August level. Total inventories were down 3.9 percent from the revised September 2019 level. . . . The September inventories/sales ratio . . . based on seasonally adjusted data, was 1.31. The September 2019 ratio was 1.33.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending October 31, the advance figure for seasonally adjusted initial claims was 751,000, a decrease of 7,000 from the previous week’s revised level. . . . The 4-week moving average was 787,000, a decrease of 4,000 from the previous week’s revised average. . . . The advance seasonally adjusted insured unemployment rate was 5.0 percent for the week ending October 24, a decrease of 0.3 percentage point from the previous

week’s unrevised rate.” The table below shows the number of people claiming benefits in all programs in Tennessee for the week ending October 17.

(previous week)	Tennessee: Total Claims for the Week Ending October 17 (not seasonally adjusted)	
88,163	80,068	State Insured Unemployment
97	84	Unemployment Compensation program for Federal Employees (UCFE)
68	76	Unemployment Compensation for Ex-servicemembers (UCX)
84,416	78,978	Pandemic Unemployment Assistance (PUA) Continued Claims
49,239	47,823	Pandemic Emergency Unemployment Compensation (PEUC) Claims
2,506	2,531	Extended Benefits (EB) Claims
224,489	209,560	

Federal Reserve Board

Thursday, [Federal Open Market Committee Statement](#): “The Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent and expects it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the Committee’s assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time. In addition, over coming months the Federal Reserve will increase its holdings of Treasury securities and agency mortgage-backed securities at least at the current pace to sustain smooth market functioning and help foster accommodative financial conditions, thereby supporting the flow of credit to households and businesses.”

Economic Indicators and Confidence:

IHS Markit

Wednesday, [US Sector PMI](#): “October data pointed to rising levels of business activity across all seven categories monitored by the US Sector PMI survey. This was the first broad-based expansion of private sector output since January. Financials overtook healthcare as the fastest-growing sector during October. The latest increase in business activity among financial service providers was the strongest since July 2014. Robust rates of output growth were also seen across the industrials and consumer goods sectors at the start of the fourth quarter. . . . Business activity increased only slightly across the consumer services sector and it was the weakest-performing area of the US private sector economy in October.”

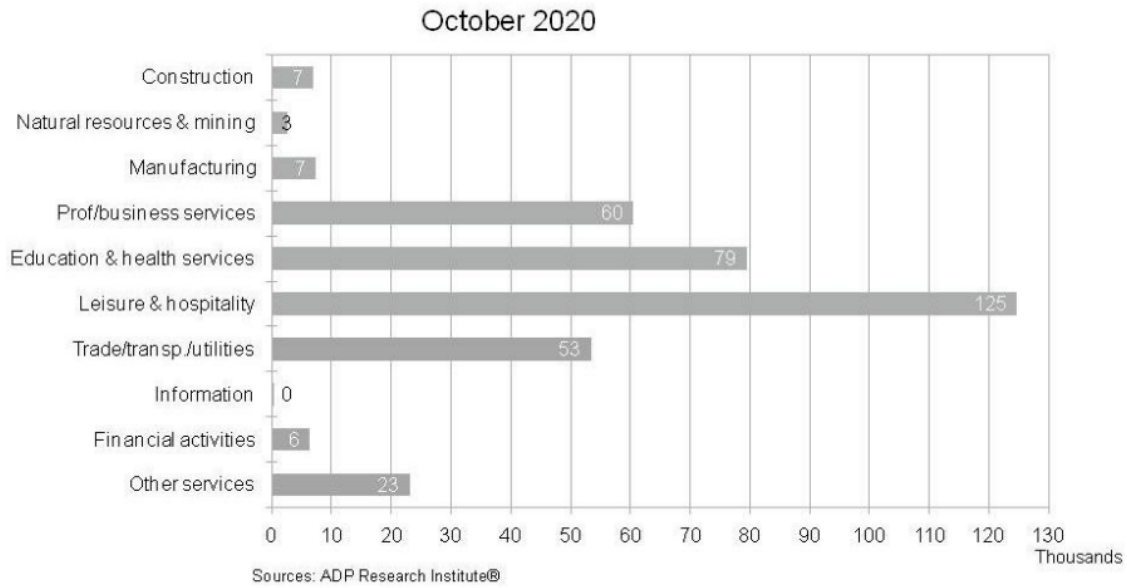
Wednesday, [US Services and Composite PMI](#): “October PMI data signaled a strong expansion in business activity across the U.S. service sector. The quicker rate of growth was largely linked to more robust demand conditions, despite a slower upturn in new export business. . . . Optimism about business levels in one year’s time improved to the strongest since April 2018 principally amid hopes of an end to the coronavirus disease 2019 (COVID-19) crisis and additional stimulus during the pandemic.” The improvement in the business activity index “indicated that the rate of growth regained momentum at the start of the fourth quarter to the sharpest since April 2015,” while the upturn in the output index was “driven by the strongest increase in service sector business activity since April 2015 alongside a more modest acceleration of manufacturing growth to an 11-month high.”

Employment and Businesses:

ADP

Wednesday, [October Employment Report](#): “Private sector employment increased by 365,000 jobs from September to October . . . on a seasonally adjusted basis.” Job growth was spread relatively evenly across firms of all sizes, led by those in the leisure and hospitality services category.

Chart 3. Change in Nonfarm Private Employment by Industry



Challenger, Gray, & Christmas

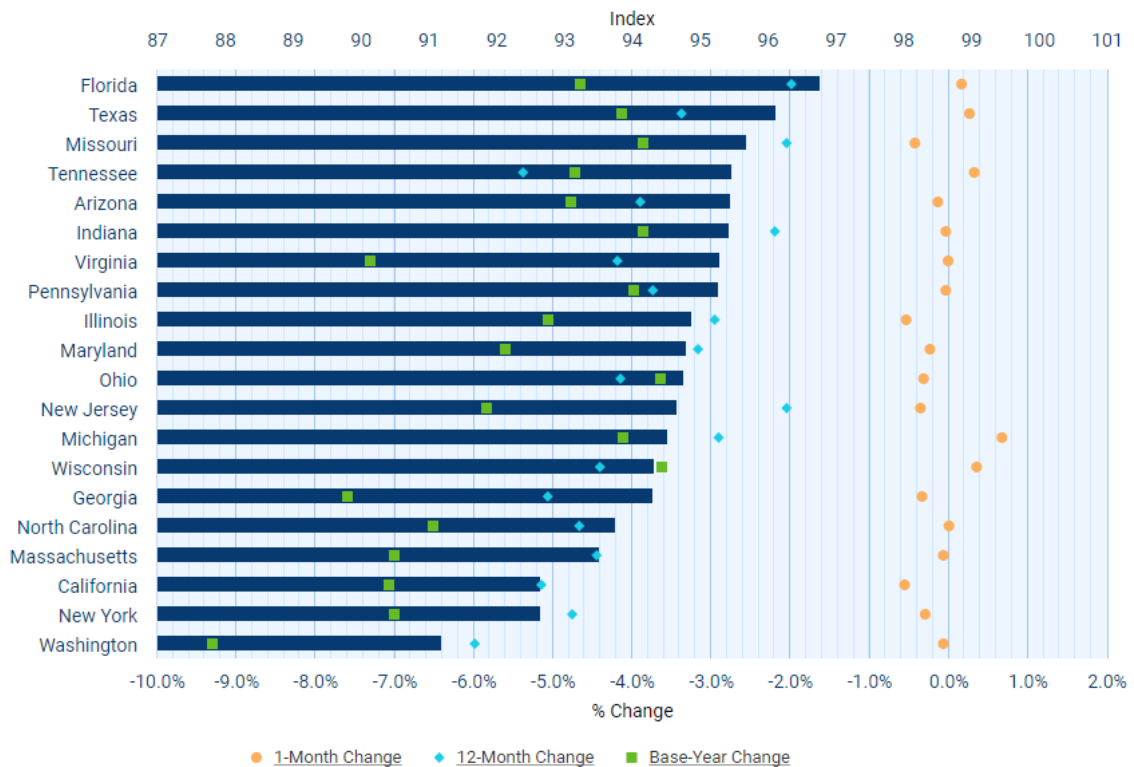
Thursday, [Job Cuts Report](#): “October marked the lowest number of layoffs in seven months, as U.S.-based employers announced plans to cut 80,666 jobs from their payrolls. . . . October’s total is 32% lower than the 118,804 cuts announced in September [and] the lowest since February. . . . Companies have announced 255,198 hiring plans in October.”

Institute for Supply Management

Monday, [ISM Manufacturing Report on Business](#): “The October Manufacturing PMI registered 59.3 percent, up 3.9 percentage points from the September reading of 55.4 percent and the highest since September 2018 (59.3 percent). This figure indicates expansion in the overall economy for the sixth month in a row after a contraction in April. . . . Following 14 consecutive months of contraction, the Employment Index moved back into expansion territory. This marks the sixth consecutive month of improvement since the index’s low of 27.5 percent registered in April.”

Wednesday, [ISM Services Report on Business](#): “The Services PMI registered 56.6 percent, 1.2 percentage points lower than the September reading of 57.8 percent. This reading represents a fifth straight month of growth for the services sector, which has expanded for all but two of the last 129 months. . . . There has been a slight pull back in the rate of growth in the Services Sector in the month of October. Respondents’ comments are cautiously optimistic about business conditions and the economy.”

Tuesday, [Small Business Employment Watch](#): The latest report “shows a moderation in small business hiring from the previous month, declining 0.13 percent nationally to 94.32. Hourly earnings growth stood at 2.88 percent in October, while weekly hours worked remained positive, up 0.38 percent from last year. ‘The Small Business Jobs Index dipped again in October, coinciding with the recent surge in COVID-19 cases,’ said James Diffley, chief regional economist at IHS Markit.” Tennessee is among the highest performing states in the index.



Mortgages and Housing Markets:

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “Mortgage rates hit another record low, the twelfth time this year, due to economic and political ambiguity,’ said Sam Khater, Freddie Mac’s Chief Economist. ‘Despite the uncertainty that we’ve all experienced this year, the housing market, buoyed by low rates, continues to be a bright spot.’ [The] 30-year fixed-rate mortgage averaged 2.78 percent . . . for the week ending November 5, 2020, down from last week when it averaged 2.81 percent. A year ago at this time, the 30-year FRM averaged 3.69 percent.”

Mortgage Bankers Association

Tuesday, [Commercial and Multifamily Originations](#): “Commercial and multifamily mortgage loan originations were 47 percent lower in the third quarter compared to a year ago, and increased 12 percent from the second quarter of 2020.”

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications increased 3.8 percent from one week earlier, according to data . . . for the week ending October 30, 2020. . . . ‘The 30-year fixed

mortgage rate remained essentially unchanged at 3.01 percent last week, but rates for 15-year fixed-rate loans, FHA loans and jumbo loans all fell to new MBA survey lows,' said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. 'The drop in rates spurred an uptick in demand for refinances.'"