

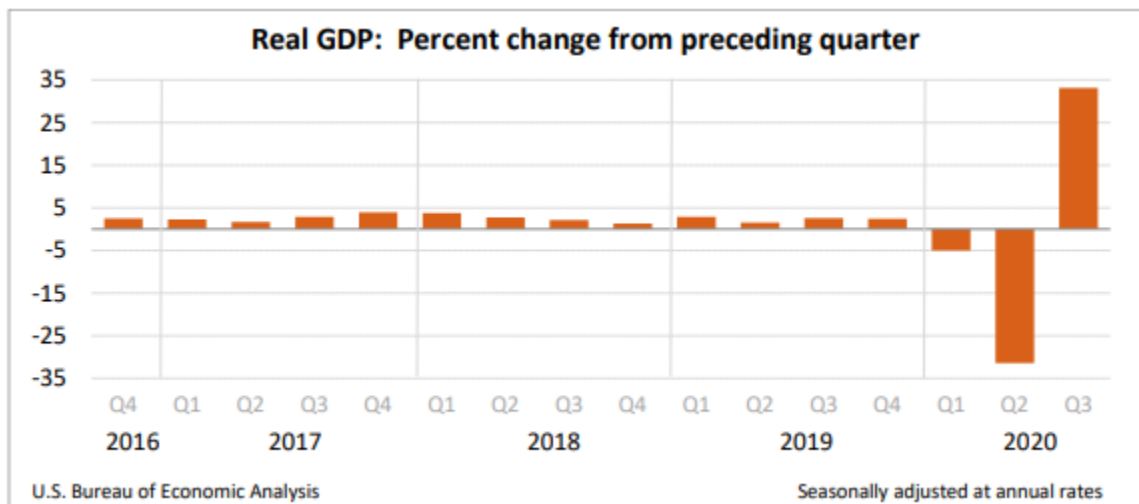
Economic Update, December 4, 2020
Submitted by Michael Mount

Summary: Although overall job losses decreased in October, an increasing proportion of those job losses are permanent, and job gains were weaker than expected. Manufacturing was plagued by supply chain delays and input shortages, but confidence was high that output will improve over the coming year. New orders for non-defense capital goods (excluding aircraft) increased sharply. Health care has been the fastest growing sector of the U.S. economy. U.S. real gross domestic product growth in the third quarter made up for most of the loss of the first and second quarters of 2020.

Federal Government Indicators and Reports:

Bureau of Economic Analysis

Last Wednesday, [Real GDP](#): “Real gross domestic product (GDP) increased at an annual rate of 33.1 percent in the third quarter of 2020. . . . In the second quarter, real GDP decreased 31.4 percent.

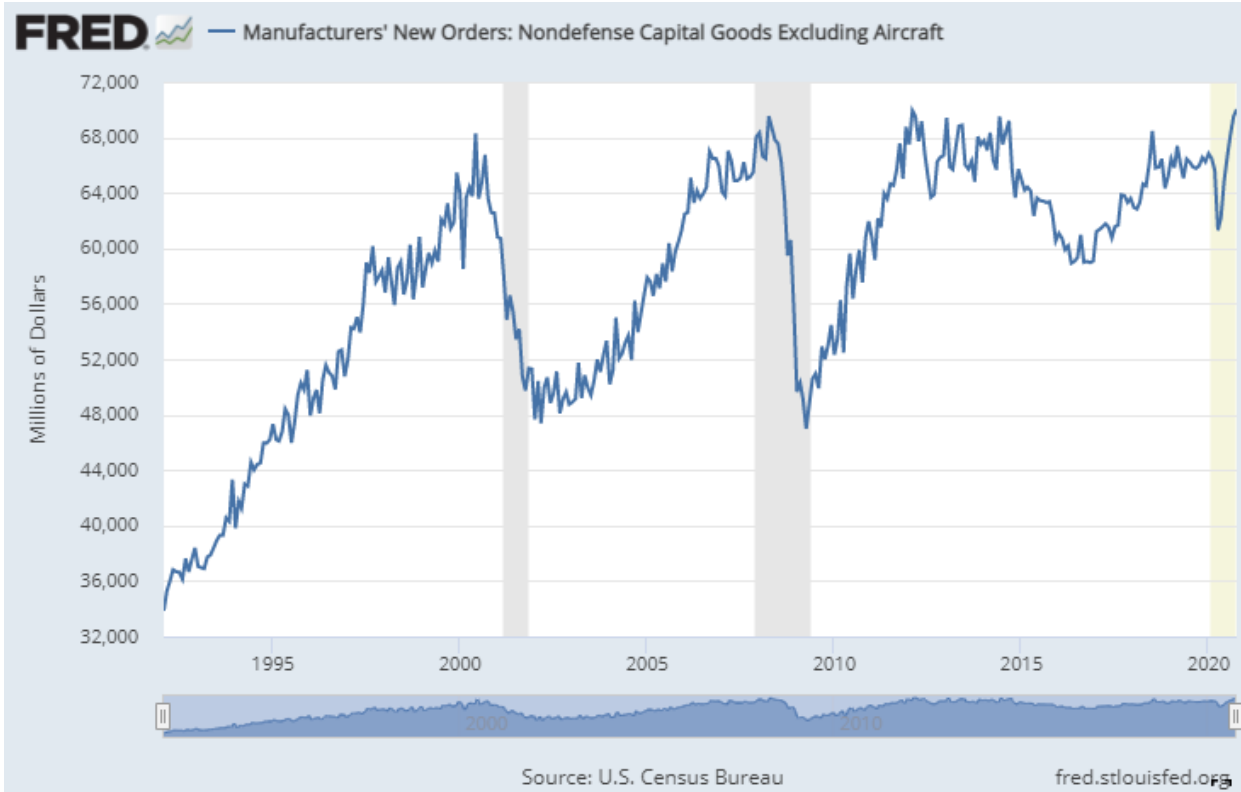


Last Wednesday, [Personal Income and Outlays](#): “Personal income decreased \$130.1 billion (0.7 percent) in October. . . . The decrease in personal income in October was led by a decrease in government social benefits.”

US Census

Last Wednesday, [Economic Indicators](#): “The international trade deficit was \$80.3 billion in October, up \$0.9 billion from \$79.4 billion in September. . . . Wholesale inventories for October . . . were estimated at an end-of-month level of \$646.2 billion, up 0.9 percent from September 2020, and were down 2.7 percent from October 2019. . . . Retail inventories for October . . . were estimated at an end-of-month level of \$612.2 billion, up 0.8 percent from September 2020, and were down 8.5 percent from October 2019.”

Last Wednesday, [Durable Goods](#): “New orders for manufactured durable goods in October increased \$3.0 billion or 1.3 percent to \$240.8 billion.” Nondefense new orders for capital goods in October (excluding aircraft) increased 0.7 percent to \$70.0 billion.



Last Wednesday, [New Home Sales](#): Sales of new single-family houses in October 2020 were at a seasonally adjusted annual rate of 999,000. . . . This is 0.3 percent below the revised September rate of 1,002,000, but is 41.5 percent above the October 2019 estimate of 706,000.”

Tuesday, [Construction Spending](#): “Construction spending during October 2020 was estimated at a seasonally adjusted annual rate of \$1,438.5 billion, 1.3 percent above the revised September estimate of \$1,420.4 billion. The October figure is 3.7 percent above the October 2019 estimate of \$1,386.8 billion.”

Friday, [Factory Orders](#): “New orders for manufactured goods in October, up six consecutive months, increased \$4.9 billion or 1.0 percent to \$480.8 billion. . . . This followed a 1.3 percent September increase”

Bureau of Labor Statistics

Thursday, [Metro Area Employment and Unemployment](#): “Unemployment rates were higher in October than a year earlier in 384 of the 389 metropolitan areas and lower in 5 areas.” Unemployment rates for Tennessee’s metro areas ranged from 5.7 percent (Chattanooga) to 9.7 percent (Memphis).

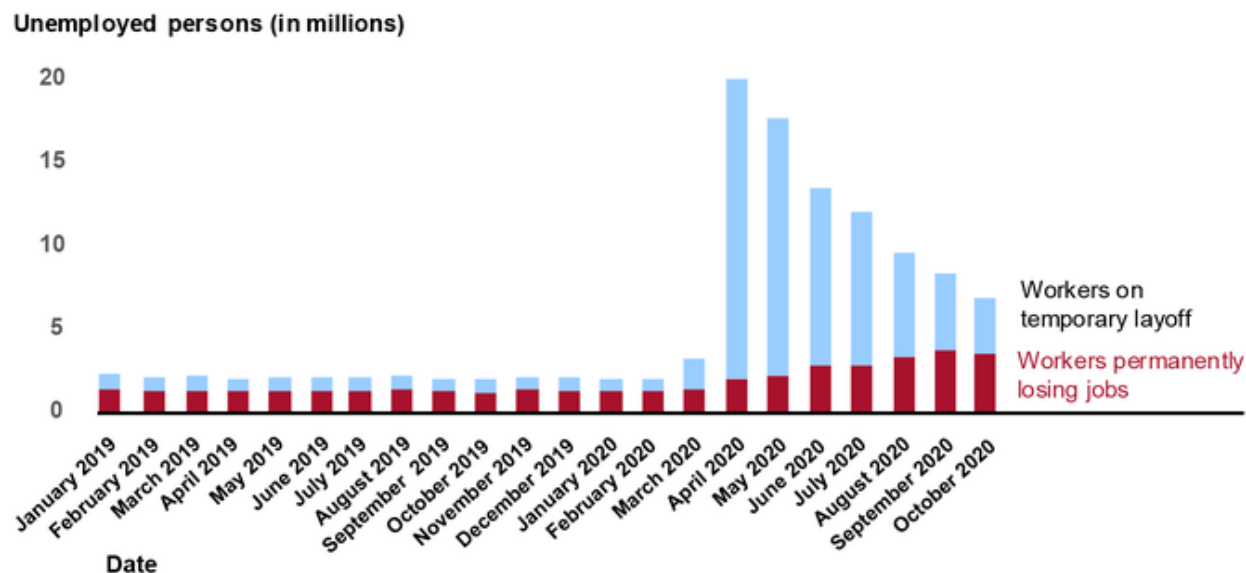
Department of Labor

Thursday, [Initial Claims](#): “In the week ending November 28, the advance figure for seasonally adjusted initial claims was 712,000, a decrease of 75,000 from the previous week’s revised level.”

Note: The Government Accountability Office made the following [recommendations](#) regarding the Department of Labor’s unemployment insurance data: **“GAO recommends that DOL (1) revise its weekly news releases to clarify that in the current unemployment environment, the numbers it reports for weeks of unemployment claimed do not accurately estimate the number of unique individuals claiming benefits, and (2) pursue options to report the actual number of distinct**

individuals claiming benefits, such as by collecting these already available data from states. DOL agreed with the recommendation to revise its weekly news releases, and partially agreed with the recommendation to pursue options to report the actual number of distinct individuals claiming benefits.”

Number of Unemployed Workers Permanently Losing Jobs and on Temporary Layoff, January 2019 through October 2020



Source: GAO analysis of U.S. Bureau of Labor Statistics data. | GAO-21-191

Friday, [Non-farm Payrolls](#): “Total nonfarm payroll employment rose by 245,000 in November, and the unemployment rate edged down to 6.7 percent.”

Economic Indicators and Confidence

IHS Markit

Tuesday, [Manufacturing PMI](#): The index “signalled a notable improvement in the health of the U.S. manufacturing sector. Overall growth was supported by faster upturns in output and new orders amid stronger domestic and foreign client demand. Employment rose only marginally, however, and pressure on capacity was exacerbated by near-survey record supply chain delays and input shortages. Despite short-term uncertainty reflected in slower hiring, firms were the most confident regarding the outlook for output over the coming year in almost six years.” The index “posted 56.7 in November, up notably from 53.4 in October.”

Thursday, [Services PMI](#): The index “signalled a marked increase in business activity across the U.S. service sector. The upturns in output and new business accelerated substantially to the fastest since March 2015 and April 2018, respectively. As a result, firms took on extra staff at the steepest rate on record, as pressure on capacity accumulated. Business expectations also strengthened to the most buoyant since January 2014.” The index “registered 58.4 in November, up from 56.9 in October.”

Thursday, [U.S. Sector PMI](#): “November data pointed to higher volumes of business activity across six out of seven categories. . . . The only exception was a decline in consumer services activity,

with the rate of contraction in this sector the fastest since August. Healthcare was the fastest-growing sector during November, followed by consumer goods.”

Federal Reserve

Tuesday, [Chairman Powell Testimony](#): “The rise in new COVID-19 cases, both here and abroad, is concerning and could prove challenging for the next few months. A full economic recovery is unlikely until people are confident that it is safe to reengage in a broad range of activities. Recent news on the vaccine front is very positive for the medium term.”

Institute for Supply Management

Tuesday, [Manufacturing PMI](#): The index “registered 57.5 percent, down 1.8 percentage points from the October reading of 59.3 percent. This figure indicates expansion in the overall economy for the seventh month in a row after a contraction in April, which ended a period of 131 consecutive months of growth.”

ADP

Wednesday, [National Employment](#): “Private sector employment increased by 307,000 jobs from October to November.”

Challenger

Thursday, [Job Cuts](#): “In the penultimate month of the year, U.S.-based employers announced 64,797 job cuts, the second-lowest monthly total for 2020. It is 19.7% lower than the 80,666 job cuts announced in October.”

University of Michigan

Thursday, [Consumer Sentiment](#): “Consumer sentiment was unchanged in late November--a difference of just 0.1 points from mid-month. . . . Importantly, the November data were less optimistic than last month due to the resurgence in covid infections and deaths.”

Mortgages and Housing Markets

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 0.6 percent from one week earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$510,400 or less) remained unchanged at 2.92 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages increased to 2.53 percent from 2.51 percent.”