

Economic Update, March 5, 2021
Submitted by Michael Mount

Summary: The jobs report was very good this month, with nonfarm payroll employment increasing by 379,000 in February. Gains were concentrated in the leisure and hospitality sector, which increased employment by 355,000 as COVID-19-related restrictions are lifted. The unemployment rate decreased slightly from 6.3 percent to 6.2 percent. A Federal Reserve board member said that “economic forecasts for growth during the first quarter have been significantly upgraded in response to the better-than-expected data.” A bit of bad news was that initial claims for unemployment insurance increased slightly to 745,000 from 736,000 the previous week.

Federal Government Indicators and Reports

US Census

Monday, [Construction Spending](#): “Construction spending during January 2021 was estimated at a seasonally adjusted annual rate of \$1,521.5 billion, 1.7 percent above the revised December estimate of \$1,496.5 billion. The January figure is 5.8 percent above the January 2020 estimate of \$1,437.7 billion.”

Thursday, [New Orders of Manufactured Goods](#): “New orders for manufactured goods in January, up nine consecutive months, increased \$13.1 billion or 2.6 percent to \$509.4 billion. . . . This followed a 1.6 percent December increase.”

Friday, [International Trade](#): “The goods and services deficit was \$68.2 billion in January, up \$1.2 billion from \$67.0 billion in December.”

Bureau of Labor Statistics

Wednesday, [State Unemployment](#): In 2020, “the [annual average] U.S. jobless rate increased by 4.4 percentage points from the prior year to 8.1 percent, while the national employment-population ratio fell by 4.0 points to 56.8 percent. The deterioration in the labor market in 2020 reflected the impact of the coronavirus (COVID-19) pandemic and efforts to contain it.” The annual average unemployment rate for Tennessee increased from 3.4 percent to 7.5 percent from 2019 to 2020.

Thursday, [Productivity and Costs](#): “Nonfarm business sector labor productivity decreased 4.2 percent in the fourth quarter of 2020 . . . as output increased 5.5 percent and hours worked increased 10.1 percent. . . . Unit labor costs in the nonfarm business sector increased at an annual rate of 6.0 percent in the fourth quarter of 2020, the combined effect of a 1.5-percent increase in hourly compensation and a 4.2-percent decline in productivity.”

Friday, [Employment Situation](#): “Total nonfarm payroll employment rose by 379,000 in February, and the unemployment rate was little changed at 6.2 percent. . . . In February, most of the job gains occurred in leisure and hospitality, with smaller gains in temporary help services, health care and social assistance, retail trade, and manufacturing. Employment declined in state and local government education, construction, and mining. . . . In February, employment in leisure and hospitality increased by 355,000, as pandemic-related restrictions eased in some parts of the country. About four-fifths of the increase was in food services and drinking places (+286,000). Employment also rose in accommodation (+36,000) and in amusements, gambling, and recreation (+33,000). Employment in leisure and hospitality is down over the year by 3.5 million, or 20.4 percent.”

Chart 1. Unemployment rate, seasonally adjusted, February 2019 – February 2021

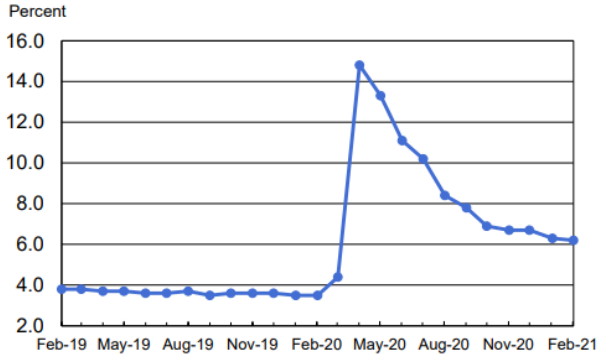
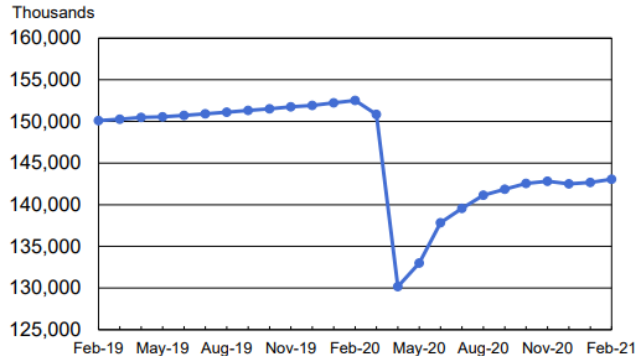


Chart 2. Nonfarm payroll employment, seasonally adjusted, February 2019 – February 2021



Department of Labor

Thursday, [Initial Claims](#): “In the week ending February 27, the advance figure for seasonally adjusted initial claims was 745,000, an increase of 9,000 from the previous week’s revised level. . . . The 4-week moving average was 790,750, a decrease of 16,750 from the previous week’s revised average.”

Congressional Budget Office

Thursday, [2021 Long-term Budget Outlook](#): “CBO expects real (inflation-adjusted) GDP to grow 1.8 percent per year, on average, over the 2021–2051 period. That is 0.5 percentage points less than the average growth of 2.3 percent for the past three decades. CBO expects growth in real GDP per person to average 1.4 percent over the next three decades, 0.1 percentage point higher than the average growth of 1.3 percent throughout the past three decades. In the agency’s current projections, both real GDP and real GDP per person grow slightly more quickly over the 2020–2050 period than the agency projected last year.”

Economic Indicators and Confidence

IHS Markit

Monday, [Manufacturing PMI](#): The index “indicated a marked upturn in the health of the U.S. manufacturing sector. Although the rate of overall growth eased, it was the second-fastest since April 2010 and was supported by sharp increases in output and new orders.” The index “posted 58.6 in February, down from 59.2 in January.”

Wednesday, [Services PMI](#): The index “indicated the fastest expansion of business activity across the U.S. service sector since July 2014. The upturn in output was supported by a marked rise in new orders following stronger client demand.” The index “registered 59.8 in February, up from 58.3 in January.”

Wednesday, [Sector PMI](#): “Financials replaced healthcare as the fastest-growing sector in February amid a continued improvement in the pandemic situation. . . . There were positive signs for the consumer services sector in February, with activity growth the fastest since January 2020. However, a wide gap remained evident between consumer services and the rest of the private sector economy.”

ISM

Monday, [Manufacturing PMI](#): “Economic activity in the manufacturing sector grew in February, with the overall economy notching a ninth consecutive month of growth.” The index “registered 60.8 percent, an increase of 2.1 percentage points from the January reading of 58.7 percent.”

Federal Reserve

Tuesday, [Brainard Speech](#): “The expected path of the U.S. economy has strengthened with the prospect of widespread vaccinations and additional fiscal stimulus, but risks remain, and we are currently far from our goals. . . . Economic forecasts for growth during the first quarter have been significantly upgraded in response to the better-than-expected data.”

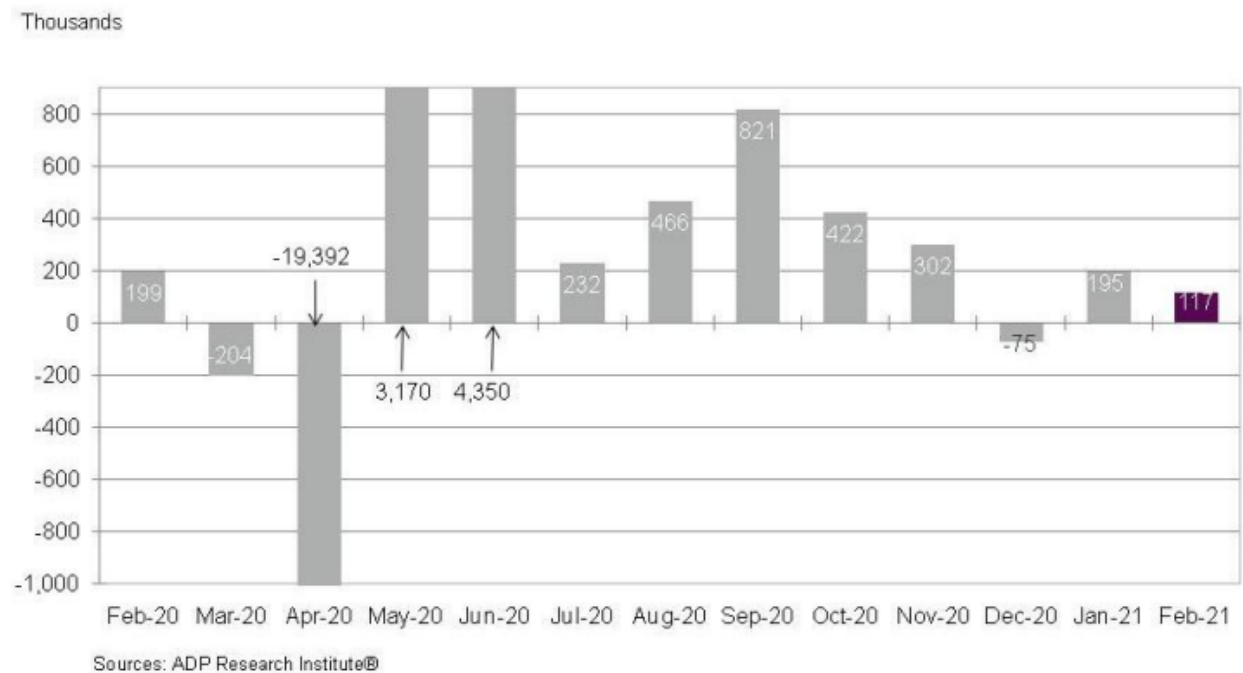
IBD/TIPP

Tuesday, [Economic Optimism](#): “Optimism over the U.S. economy has surged to the highest level since just before Covid hit, as the vaccine rollout continues and Americans anticipate another round of stimulus checks.” The index “jumped 3.5 points to 55.4 in March.”

ADP

Wednesday, [Employment](#): “Private sector employment increased by 117,000 jobs from January to February. . . . ‘The labor market continues to post a sluggish recovery across the board,’ said Nela Richardson, chief economist, ADP. ‘We’re seeing large-sized companies increasingly feeling the effects of COVID-19, while job growth in the goods producing sector pauses.’”

Chart 1. Change in Total Nonfarm Private Employment



Challenger

Thursday, [Job Cuts](#): “Planned job cuts announced by U.S.-based companies fell 57% to 34,531 in February from 79,552 in January. It was the lowest monthly total since December 2019, when 32,843 job cuts were announced. . . . Companies announced 146,403 hiring plans in February, primarily led by Retail, which announced 66,486.”

Mortgages and Housing Markets

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 0.5 percent from one week earlier. . . . ‘Mortgage rates jumped last week on market expectations of stronger economic growth and higher inflation. The 30-year fixed rate experienced its largest single-week increase in almost a year, reaching 3.23 percent - the highest since July 2020,’ said Joel Kan, MBA’s Associate Vice President of Economic and Industry Forecasting.”