Economic Update, November 5, 2021
Submitted by Michael Mount

Summary: The jobs report was very good, with nonfarm payroll employment increasing by 531,000 in October. The Federal Reserve announced that it will begin to taper its purchases of treasuries and mortgage-back securities, stating that indicators of economic activity and employment have continued to strengthen. Although growth in the service sector is accelerating, growth in the manufacturing sector is slowing, in part because of supply-chain bottlenecks. Inflation fears remain, and according to one indicator of consumer confidence, "Americans have grown more pessimistic about the outlook for the U.S. economy than at any point in the COVID era."

Federal Government Indicators and Reports

U.S. Census

Monday, Construction Spending: "Construction spending during September 2021 was estimated at . . . $1,573.6 billion, 0.5 percent below the revised August estimate of $1,582.0 billion. The September figure is 7.8 percent above the September 2020 estimate of $1,459.3 billion."

Tuesday, Housing Vacancies and Homeownership: For rental property, "national vacancy rates in the third quarter 2021 were 5.8 percent," a decrease from 6.4 percent a year ago. The homeownership rate was 65.4 percent, a decrease from 67.4 percent a year ago.

Wednesday, Manufacturing: "New orders for manufactured goods in September, up sixteen of the last seventeen months, increased $1.3 billion or 0.2 percent to $515.9 billion. . . . This followed a 1.0 percent August increase."

Thursday, International Trade: "The goods and services deficit was $80.9 billion in September, up $8.1 billion from $72.8 billion in August. . . . September exports were $207.6 billion, $6.4 billion less than August exports. September imports were $288.5 billion, $1.7 billion more than August imports."

Bureau of Labor Statistics

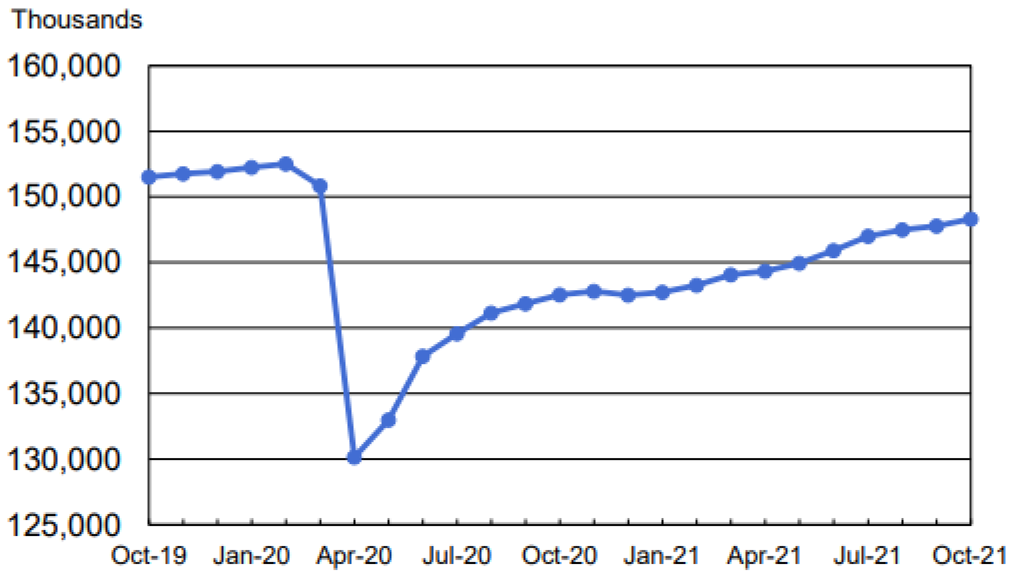
Wednesday, Workplace Injuries and Illnesses: Private industry employers reported "2.1 million nonfatal injuries in 2020, down from 2.7 million in 2019. At the same time, total reported illness cases more than quadrupled to 544,600 cases, up from 127,200 cases in 2019."

Wednesday, Metro Area Employment and Unemployment: "Unemployment rates were lower in September than a year earlier in 386 of the 389 metropolitan areas, higher in 2 areas, and unchanged in 1 area." Tennessee's unemployment rate was 3.5 percent in September 2021, and rates for metro areas in Tennessee ranged from 2.9 percent (Chattanooga and Knoxville) to 4.9 percent (Memphis).

Thursday, Productivity and Costs: "Nonfarm business sector labor productivity decreased 5.0 percent in the third quarter of 2021 . . . as output increased 1.7 percent and hours worked increased 7.0 percent." This is the largest decrease in the rate of quarterly productivity since the second quarter of 1981.

Friday, Employment Situation: "Total nonfarm payroll employment rose by 531,000 in October, and the unemployment rate edged down by 0.2 percentage point to 4.6 percent."

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



Thursday,

Thursday, Initial Claims: "In the week ending October 30, the advance figure for seasonally adjusted initial claims was 269,000, a decrease of 14,000 from the previous week's revised level. This is the lowest level for initial claims since March 14, 2020." In Tennessee, there were 5,442 initial claims for the week ending October 30, an increase of 656 from the week prior.

Economic Indicators and Confidence

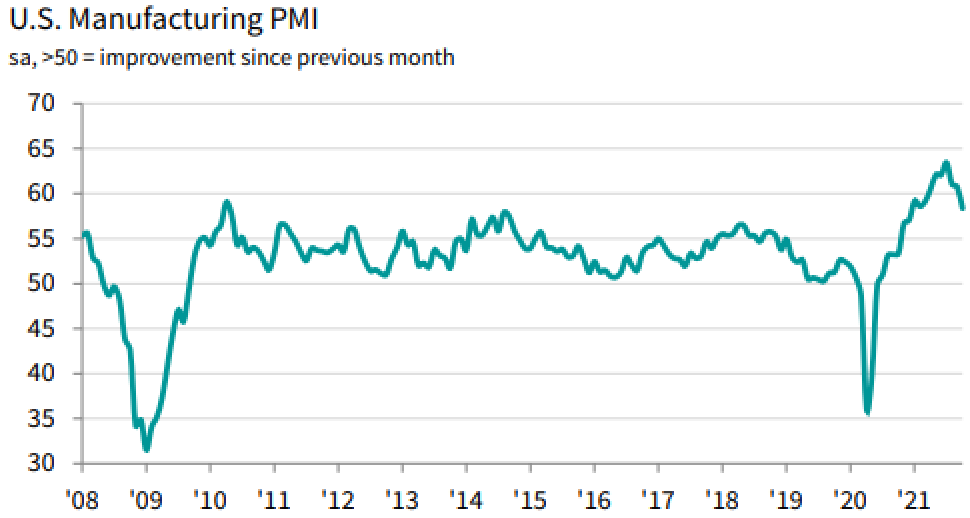
Institute for Supply Management

Monday, Manufacturing PMI: The index "registered 60.8 percent, a decrease of 0.3 percentage point from the September reading of 61.1 percent. This figure indicates expansion in the overall economy for the 17th month in a row after a contraction in April 2020."

Wednesday, Services PMI: The index "registered another all-time high of 66.7 percent, 4.8 percentage points above September's reading of 61.9 percent. This figure exceeds the former all-time high of 64.1 percent in July."

IHS Markit

Monday, Manufacturing PMI: The index "posted 58.4 in October, down from 60.7 in September. . . . In line with capacity constraints, production growth slowed to the softest since July 2020 in October. Raw material and labor shortages were commonly cited as hampering the upturn."



Source: IHS Markit.

Wednesday, Services PMI: The index "registered 58.7 in October, up from 54.9 in September and above the earlier released 'flash' estimate of 58.2. The latest expansion was sharp overall and the quickest since July."

Wednesday, Sector PMI: "Severe supply chain disruption was the main reason for falling output in the Consumer Goods sector. . . . The rate of growth among Healthcare businesses was the steepest since November 2020."

Investors Business Daily

Tuesday, Economic Optimism: "Americans have grown more pessimistic about the outlook for the U.S. economy than at any point in the COVID era. . . . With the delta variant slowing the jobs recovery and inflation fears mounting, household financial stress is spiking and faith in federal economic policies is sinking." The index "fell deeper into pessimistic territory, slumping 2.9 points to a six-year-low 43.9."

ADP

Wednesday, Private Sector Employment: "Private sector employment increased by 571,000 jobs from September to October."

Federal Reserve

Wednesday, FOMC Statement: "With progress on vaccinations and strong policy support, indicators of economic activity and employment have continued to strengthen. . . . The Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent. . . . The Committee decided to begin reducing the monthly pace of its net asset purchases by $10 billion for Treasury securities and $5 billion for agency mortgage-backed securities."

Challenger

Thursday, Job Cuts: "Job cuts announced by U.S.-based employers rose 27.5% in October to 22,822 from the 17,895 announced in September. It is the highest monthly total since May, when 24,586 cuts were recorded."

Mortgages and Housing Markets

Mortgage Bankers Association

Wednesday, Mortgage Applications: "Mortgage applications decreased 3.3 percent from one week earlier." According to Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting, "Mortgage rates decreased for the first time since August, as concerns about supply-chain bottlenecks, waning consumer confidence, weaker economic growth, and rising inflation pushed Treasury yields lower."