

Economic Update, December 18, 2020  
Submitted by Michael Mount

Summary: Spending growth expectations rose sharply in November, along with expectations about job security. Leading economic indicators showed continuing improvement but at a slower rate. Economists expect more growth and less unemployment in 2021 than in 2020, but “the path of the economy will depend significantly on the course of the virus,” according to the Federal Reserve. The Fed left interest rates unchanged.

**Federal Government Indicators and Reports**

Census

Wednesday, [Retail Sales](#): “Advance estimates of U.S. retail and food services sales for November 2020 . . . were \$546.5 billion, a decrease of 1.1 percent from the previous month, but 4.1 percent above November 2019.”

Wednesday, [Manufacturing and Trade](#): “The combined value of distributive trade sales and manufacturers’ shipments for October . . . was estimated at \$1,482.3 billion, up 0.9 percent from September 2020 and was up 2.2 percent from October 2019.”

Bureau of Economic Analysis

Tuesday, [Real Income](#): “Real state personal income grew 2.4 percent in 2019 after increasing 3.1 percent in 2018.” Tennessee’s growth in real income was 2.0 percent in 2019.

Thursday, [Personal Income](#): “State personal income decreased 10.0 percent at an annual rate in the third quarter of 2020, after increasing 35.8 percent in the second quarter.” The third quarter decrease was 9.6 percent for Tennessee (annualized rate).

Bureau of Labor Statistics

Wednesday, [Fatal Occupational Injuries](#): “There were 5,333 fatal work injuries recorded in the United States in 2019, a 2 percent increase from the 5,250 in 2018.”

Thursday, [Employee Compensation](#): “Employer costs for employee compensation for civilian workers averaged \$38.26 per hour worked in September 2020. . . . Wages and salaries cost employers \$26.25 while benefits cost \$12.01.”

Friday, [State Unemployment](#): “Unemployment rates were lower in November in 25 states and the District of Columbia, higher in 7 states, and stable in 18 states. . . . Forty-eight states and the District had jobless rate increases from a year earlier and two states had little change. The national unemployment rate edged down by 0.2 percentage point over the month to 6.7 percent but was 3.2 points higher than in November 2019.” The November unemployment rate for Tennessee was 5.3 percent.

Department of Labor

Thursday, [Initial Claims](#): “In the week ending December 12, the advance figure for seasonally adjusted initial claims was 885,000, an increase of 23,000 from the previous week’s revised level.”

**Economic Indicators and Confidence**

Federal Reserve

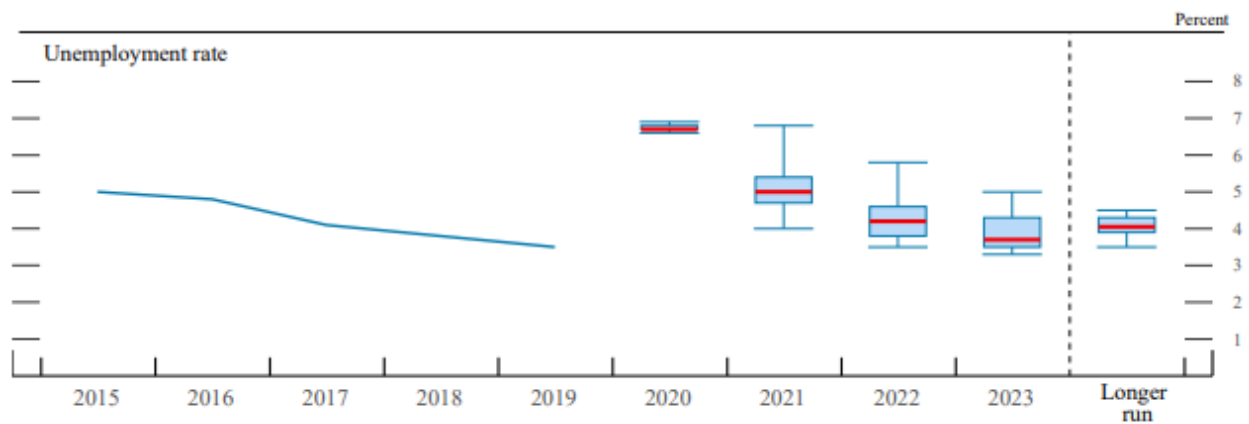
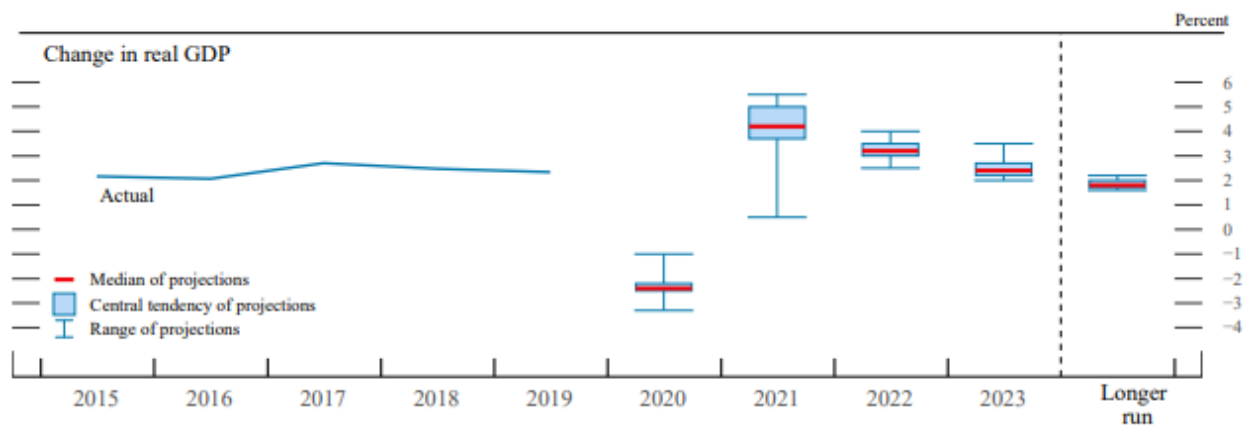
Monday, [Consumer Expectations](#): “Despite flat income and earnings growth expectations, households’ year-ahead spending growth expectations rose sharply in November to 3.7%, the highest

level recorded in more than 4 years. Labor expectations were mixed with deteriorating expectations about the unemployment rate and improving expectations about job security.”

Tuesday, [Industrial Production and Capital Utilization](#): “Industrial production increased 0.4 percent in November. After having fallen 16.5 percent between February and April, the level of the index has risen to about 5 percent below its pre-pandemic (February) reading. . . . Capacity utilization for manufacturing moved up 0.6 percentage point in November to 72.6 percent, 12.5 percentage points higher than its trough in April but still 5.6 percentage points below its long-run average.”

Wednesday, [FOMC Statement](#): The Federal Reserve kept interest rates unchanged. “The COVID-19 pandemic is causing tremendous human and economic hardship across the United States and around the world. Economic activity and employment have continued to recover but remain well below their levels at the beginning of the year. . . . The path of the economy will depend significantly on the course of the virus.”

Wednesday, [Economic Projections](#):



IDB/TIPP

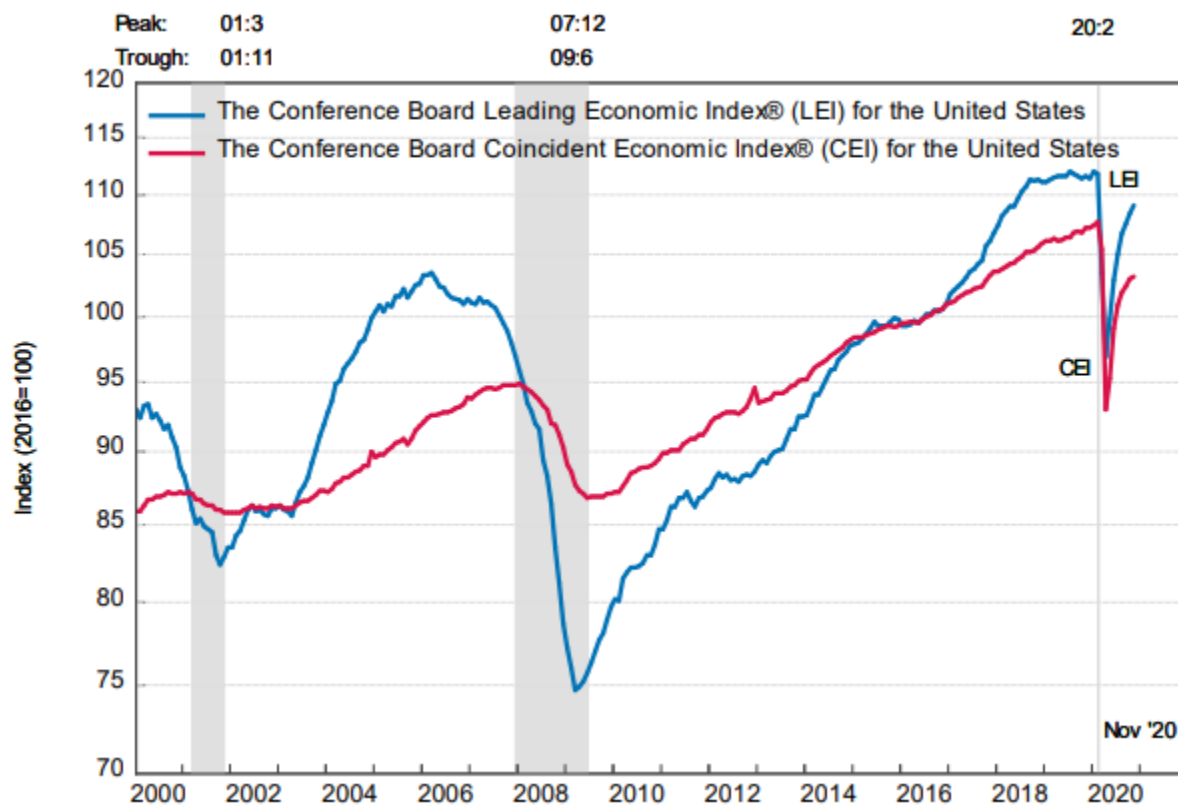
Tuesday, [Economic Optimism](#): The index “registered 49, dipping one point from the neutral 50 level in November. A surge in optimism in early October had lifted the index to 55.2.” The poll “finds that 41% of households have at least one member who is out of work and looking for employment. Another 42% are concerned about job loss in the household. Factoring in the overlap, the share of job-sensitive households is currently 58%.”

IHS Markit

Wednesday, [Purchase Managers Index](#): The US Composite Output Index decreased to 55.7 from 58.6 in November, a 3-month low. "U.S. private sector businesses signalled a strong, albeit softer expansion in output during December. The loss of growth momentum follows rising virus case numbers and re-imposed restrictions in many states."

The Conference Board

Friday, [Leading Index](#): The index "continued rising in November, but its pace of improvement has been decelerating in recent months, suggesting a significant moderation in growth as the US economy heads into 2021. . . . Initial claims for unemployment insurance, new orders for manufacturing, residential construction permits, and stock prices made the largest positive contributions to the [index]. However, falling average working hours in manufacturing and consumers' worsening outlook underscore the downside risks to growth from a second wave of COVID-19 and high unemployment."



### Mortgages and Housing Markets

Wednesday, [Mortgage Applications](#): "Mortgage applications increased 1.1 percent from one week earlier." According to Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting, "the ongoing strength in the housing market has carried into December. Applications to buy a home increased for the fourth time in five weeks."

NAHB

Wednesday, [HYPERLINK "https://nahbnow.com/2020/12/housings-outlook-for-2021/"](https://nahbnow.com/2020/12/housings-outlook-for-2021/) \l "":text=Single%2Dfamily%20builder%20sentiment%20fell,over%20housing%20affordability%20in%202021." [Housing Market Index](#): "Single-family builder sentiment fell back to a level of 86 in December . . .

after achieving an all-time high of 90 in November. The dip was due to growing concerns over housing affordability in 2021. However, December's [index] was still the second highest on record."