

Economic Update, June 3, 2022

Submitted by Bob Moreo

Summary: This week brought a lot of jobs news—some good, some disappointing, and some just a little confusing. “As the unemployment rate nears record lows, small business hiring has also slowed,” [said James Diffley](#), chief regional economist at IHS Markit. Thursday’s employment report from the payroll processing firm ADP showed “job creation at companies decelerated to the slowest pace of the pandemic-era recovery in May,” [writes CNBC’s Jeff Cox](#). ADP also revised its April numbers downward, making May’s report even more of a disappointment. Yet, while ADP reported significant job losses among small businesses in particular, the [National Federation of Independent Business](#) says there are more job openings than there are unemployed workers, and that more than half of small businesses report job openings they could not fill. On Friday, the Bureau of Labor Statistics released its May employment report, which showed “[better than expected](#)” growth and triple the number of jobs reported by ADP. Additionally, business consultants [Challenger, Gray & Christmas](#), say they’ve tracked announcements from employers to hire more than 600,000 workers so far this year, the second-highest total for the January-May period since the firm began tracking hiring plans in 2006.

Americans’ confidence in the direction of the economy, however, is trending downward. Surveys published by The Conference Board and Gallup each revealed more negative feelings in May towards both current and future conditions than they had in April. Despite the pessimism felt by the general public, unemployment is low, construction spending is up, and several measures of manufacturing and business activity indicate continued—but moderate—growth.

Federal Government Indicators and Reports:

Bureau of Labor Statistics

Wednesday, [Metropolitan Area Employment and Unemployment](#): “Unemployment rates were lower in April than a year earlier in 388 of the 389 metropolitan areas. . . . 169 areas had jobless rates of less than 3.0 percent and 2 areas had rates of at least 10.0 percent. Nonfarm payroll employment increased over the year in 129 metropolitan areas and was essentially unchanged in 260 areas.” See table below for Tennessee’s ten metropolitan areas.

LABOR FORCE DATA

NOT SEASONALLY ADJUSTED

Table 1. Civilian labor force and unemployment by state and metropolitan area — Continued

State and area	Civilian labor force				Unemployed							
	March		April		Number				Percent of labor force			
	2021	2022	2021	2022 ^P	March		April		March		April	
					2021	2022	2021	2022 ^P	2021	2022	2021	2022 ^P
Tennessee.....	3,304,743	3,394,097	3,304,662	3,410,648	163,521	102,137	146,548	104,829	4.9	3.0	4.4	3.1
Chattanooga.....	274,910	277,437	273,203	278,211	11,452	7,947	10,052	7,736	4.2	2.9	3.7	2.8
Clarksville.....	118,139	121,096	117,595	120,889	6,430	4,370	5,492	4,330	5.4	3.6	4.7	3.6
Cleveland.....	58,287	57,920	57,773	58,194	2,780	1,755	2,291	1,784	4.8	3.0	4.0	3.1
Jackson.....	64,833	64,972	64,507	65,194	3,134	1,910	2,792	1,944	4.8	2.9	4.3	3.0
Johnson City.....	92,663	94,101	92,186	94,463	4,104	2,655	3,450	2,729	4.4	2.8	3.7	2.9
Kingsport-Bristol-Bristol.....	133,666	135,238	132,972	135,245	6,506	4,009	5,511	3,988	4.9	3.0	4.1	2.9
Knoxville.....	430,889	445,697	431,351	448,249	17,766	11,424	14,883	11,865	4.1	2.6	3.5	2.6
Memphis.....	638,077	647,510	636,282	651,037	43,920	27,003	41,341	27,533	6.9	4.2	6.5	4.2
Morristown.....	52,625	53,769	52,174	54,078	2,414	1,671	2,070	1,677	4.6	3.1	4.0	3.1
Nashville-Davidson--Murfreesboro--Franklin.....	1,082,021	1,136,815	1,085,364	1,144,478	45,957	27,700	43,058	28,581	4.2	2.4	4.0	2.5

Wednesday, [Job Openings and Labor Turnover Survey](#): “The number of job openings decreased to 11.4 million on the last business day of April. . . . Hires and total separations were little changed at 6.6 million and 6.0 million, respectively. Within separations, quits were little changed at 4.4 million, while layoffs and discharges edged down to a series low of 1.2 million. . . . Over the 12 months ending in April,

hires totaled 78.0 million and separations totaled 71.6 million, yielding a net employment gain of 6.4 million.”

Thursday, [Productivity and Costs](#): “Nonfarm business sector labor productivity decreased 7.3 percent in the first quarter of 2022, . . . as output decreased 2.3 percent and hours worked increased 5.4 percent. This is the largest decline in quarterly productivity since the third quarter of 1947. . . . Unit labor costs in the nonfarm business sector increased 12.6 percent in the first quarter of 2022, reflecting a 4.4-percent increase in hourly compensation and a 7.3-percent decrease in productivity. Unit labor costs increased 8.2 percent over the last four quarters, . . . the largest four-quarter increase in this measure since . . . the third quarter of 1982.”

Friday, [Employment Situation](#): “Total nonfarm payroll employment rose by 390,000 in May, and the unemployment rate remained at 3.6 percent. . . . Notable job gains occurred in leisure and hospitality, in professional and business services, and in transportation and warehousing. Employment in retail trade declined. . . . In May, average hourly earnings of private-sector production and nonsupervisory employees rose by 15 cents, or 0.6 percent, to \$27.33.”

Census Bureau

Wednesday, [Construction Spending](#): “Construction spending during April 2022 was estimated at a seasonally adjusted annual rate of \$1,744.8 billion, 0.2 percent above the revised March estimate of \$1,740.6 billion . . . [and] 12.3 percent above the April 2021 estimate of \$1,553.5 billion. During the first four months of this year, construction spending amounted to \$520.8 billion, 12.4 percent above the \$463.3 billion for the same period in 2021.” The value of new single-family residential construction in April was estimated at a seasonally adjusted annual rate of \$477.7 billion, up 0.5 percent from March and up 19.3 percent from April 2021.

Thursday, [Manufacturers’ Shipments, Inventories and Orders](#) (Full Report): “New orders for manufactured goods in April, up eleven of the last twelve months, increased \$1.8 billion or 0.3 percent to \$533.2 billion. . . . Shipments, up twenty-three of the last twenty-four months, increased \$0.9 billion or 0.2 percent to \$532.1 billion. . . . Unfilled orders, up twenty consecutive months, increased \$6.0 billion or 0.5 percent to \$1,106.8 billion. . . . Inventories, up twenty of the last twenty-one months, increased \$4.4 billion or 0.6 percent to \$786.1 billion.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending May 28, the advance figure for seasonally adjusted initial claims was 200,000, a decrease of 11,000 from the previous week's revised level. . . . The advance number for seasonally adjusted insured unemployment during the week ending May 21 was 1,309,000, a decrease of 34,000 from the previous week's revised level. This is the lowest level for insured unemployment since December 27, 1969.” The unadjusted advance number of initial claims filed in Tennessee the week ending May 28 was 2,499, an increase of 307 from the previous week.

Federal Reserve Board

Wednesday, [The Beige Book](#): “All twelve Federal Reserve Districts have reported continued economic growth since the prior Beige Book period. . . . Four Districts explicitly noted that the pace of growth had slowed since the prior period. . . . Contacts in most Districts reported ongoing growth in manufacturing. Retail contacts noted some softening as consumers faced higher prices, and residential real estate contacts observed weakness as buyers faced high prices and rising interest rates. Contacts tended to cite labor market difficulties as their greatest challenge, followed by supply chain disruptions.

. . . Eight Districts reported that expectations of future growth among their contacts had diminished; contacts in three Districts specifically expressed concerns about a recession.”

In the Sixth District, which includes Middle and East Tennessee, the [Federal Reserve Bank of Atlanta](#) reported, “economic activity kept growing modestly from April through mid-May, with ongoing tightness in labor markets and rising costs.” Business contacts in the Sixth “continued to report record profit margins, though several noted a ‘slight dampening of demand’ and customers trading down to less expensive products.”

In the Eighth District, which includes West Tennessee, the [Federal Reserve Bank of St. Louis](#) reported: “Economic conditions have improved at a modest pace since our previous report,” but also that “the outlook for the remainder of the year weakened due to concerns about continued price increases and softening demand.” Conditions in the Memphis area “have shown modest improvement.”

Economic Indicators and Confidence:

The Conference Board

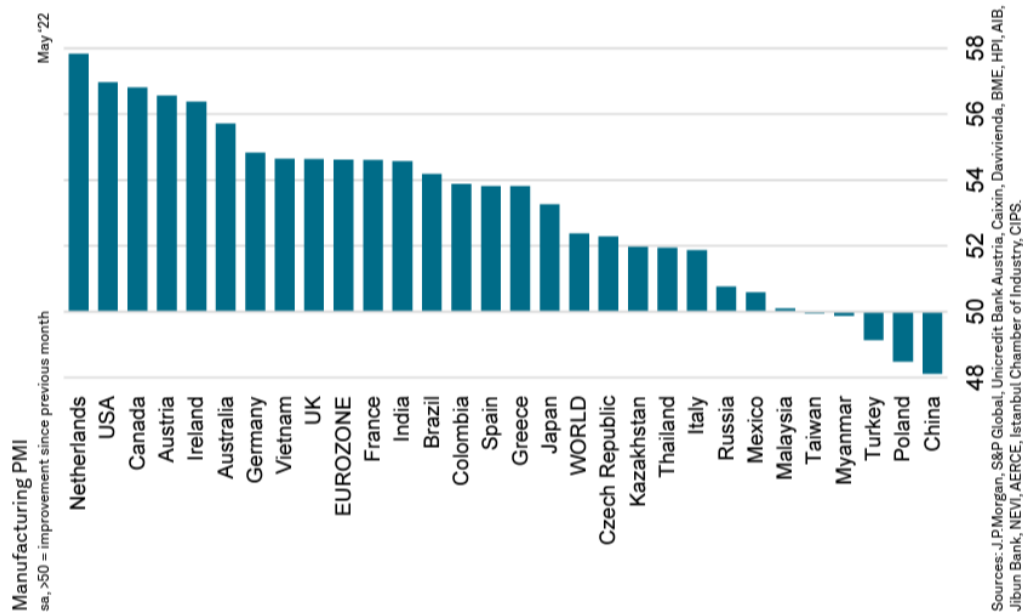
Tuesday, [Consumer Confidence Survey](#): “The Conference Board Consumer Confidence Index . . . stands at 106.4, down from 108.6 in April (after an upward revision). The Present Situation Index . . . declined to 149.6 from 152.9 last month. The Expectations Index . . . declined to 77.5 from 79.0.”

Gallup

Tuesday, [Economic Confidence Index](#): “Gallup's Economic Confidence Index measured -45 in May, down from -39 in each of the previous two months. It is the lowest reading in Gallup's trend during the coronavirus pandemic, and likely the lowest confidence has been since the tail end of the Great Recession in early 2009. . . . Meanwhile, 20 percent of Americans say the economy is getting better and 77 percent say it is getting worse.”

IHS Markit (S&P Global)

Wednesday, [U.S. Manufacturing Purchasing Managers' Index](#): “The U.S. manufacturing sector signaled a further improvement in operating conditions during May, . . . but the rate of growth eased to the softest since January as expansions in output, new orders and stocks of purchases waned. That said, overall demand conditions remained robust. . . . The seasonally adjusted S&P Global U.S. Manufacturing Purchasing Managers' Index posted 57.0 in May, down from 59.2 in April and below the earlier released 'flash' estimate of 57.5.”



Wednesday, [J.P.Morgan Global Manufacturing PMI](#): “Global manufacturing production declined for the second successive month in May, as new order growth remained lackluster and international trade volumes contracted. Inflationary pressure was elevated, as rates of increase in input costs and selling prices stayed among the highest registered in the survey history. . . . The downturn in Chinese manufacturing output extended into its third successive month in April, as renewed COVID restrictions in recent months impacted production in the world's largest industrial nation. However, the rate of contraction eased noticeably during the month.” Despite this general slowdown, the U.S. recorded the second-best PMI for May among other industrial nations.

Friday, [U.S. Services PMI](#): The Services Business Activity Index “registered 53.4 in May, down from 55.6 in April but broadly in line with the earlier released 'flash' estimate of 53.5. The latest index reading signaled a solid upturn in output across the service sector, albeit one that was the slowest since January, . . . [as] the impact of inflation, labor availability, and supply-chain disruption hampered growth momentum.”

Friday, [U.S. Sector PMI](#): “Five out of seven U.S. sectors recorded an expansion of business activity in May, down from all seven in April. . . . Consumer Services recorded the fastest increase in business activity (index at 59.6). . . . Healthcare (48.1) and Financials (49.3) were the worst-performing sectors in May, with both experiencing reductions in business activity for the first time in two years.”

Institute for Supply Management

Tuesday, [Manufacturing PMI](#): “The May Manufacturing PMI registered 56.1 percent, an increase of 0.7 percentage point from the reading of 55.4 percent in April. This figure indicates expansion in the overall economy for the 24th month in a row after a contraction in April and May 2020. . . . Panelists continue to note supply chain and pricing issues as their biggest concerns. Demand expanded, with the New Orders Index improving, supported by stronger growth of new export orders, Customers’ Inventories Index remaining at a very low level, and Backlog of Orders Index increasing.”

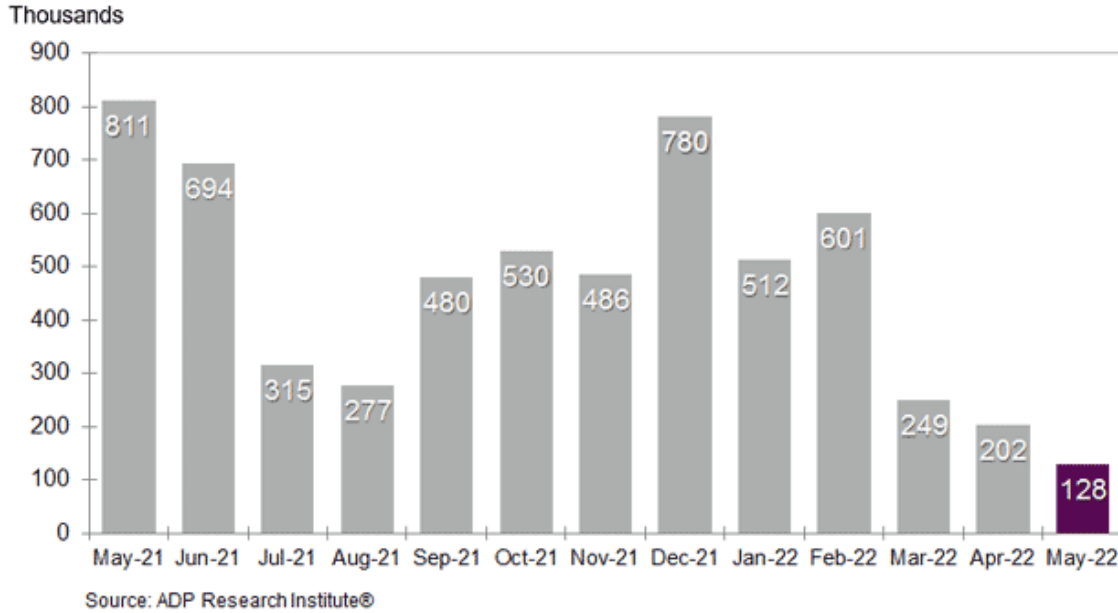
Friday, [Services PMI](#): “In May, the Services PMI registered 55.9 percent, 1.2 percentage points lower than April’s reading of 57.1 percent. This is the lowest reading since February 2021, when the index also registered 55.9 percent. . . . The composite index indicated growth for the 24th consecutive

month after a two-month contraction in April and May 2020. Growth continues—albeit slower—for the services sector, which has expanded for all but two of the last 148 months.”

Employment and Businesses:

ADP

Thursday, [National Employment Report](#): “Private sector employment increased by 128,000 jobs from April to May.” Medium- (50-499 employees) and large-sized businesses added 219,000 jobs, while small businesses—particularly those with fewer than 20 employees—shed 91,000 workers.



Challenger, Gray, & Christmas

Thursday, [Job Cuts Report](#): “U.S.-based employers announced 20,712 cuts in May, a 14.7 percent decrease from the 24,286 announced in April. . . . So far this year, employers announced plans to cut 100,694 job cuts, down 48 percent from the 192,185 cuts announced through the same period in 2021. . . . Employers in the United States announced 126,083 hiring plans in May, primarily on plans from Ace Hardware to hire 40,000 associates and 7-Eleven, which plans to hire 60,000. So far this year, Challenger has tracked 612,686 hiring announcements, up 39 percent from the 441,696 hiring plans announced through May of last year.”

National Federation of Independent Business

Wednesday, [NFIB Jobs Report](#): “Small businesses continue to raise wages to keep employees and fill historically high levels of open positions. Twenty-three percent said that labor quality was their top business problem, unchanged from April and remaining in second place behind inflation. . . . Fifty-one percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, up 4 points from April.”

Paychex | IHS Markit

Tuesday, [Small Business Employment Watch](#): “Workers at U.S. small businesses saw the 12th consecutive month of increasing hourly earnings gains, while the pace of job growth slowed in May. . . . The May report shows average hourly earnings stand at \$30.31, up by 5.19 percent from a year ago.

The Small Business Jobs Index, which measures the year-over-year rate of employment growth, decreased 0.27 percent from previous month to an index level of 100.87.”

Mortgages and Housing Markets:

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “Mortgage rates continued to inch downward this week but are still significantly higher than last year, affecting affordability and purchase demand,’ said Sam Khater, Freddie Mac’s Chief Economist. . . . [The typical] 30-year fixed-rate mortgage averaged 5.09 percent with an average 0.8 point as of June 2, 2022, down slightly from last week when it averaged 5.10 percent. A year ago at this time, the 30-year FRM averaged 2.99 percent.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications Survey](#): “Mortgage applications decreased 2.3 percent from one week earlier, according to data . . . for the week ending May 27, 2022. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$647,200 or less) decreased to 5.33 percent from 5.46 percent.”

S&P CoreLogic

Tuesday, [Case-Shiller National Home Price Index](#): The national index “reported a 20.6 percent annual gain in March, up from 20.0 percent in the previous month. . . . After seasonal adjustment, the U.S. National Index posted a month-over-month increase of 2.1 percent.”