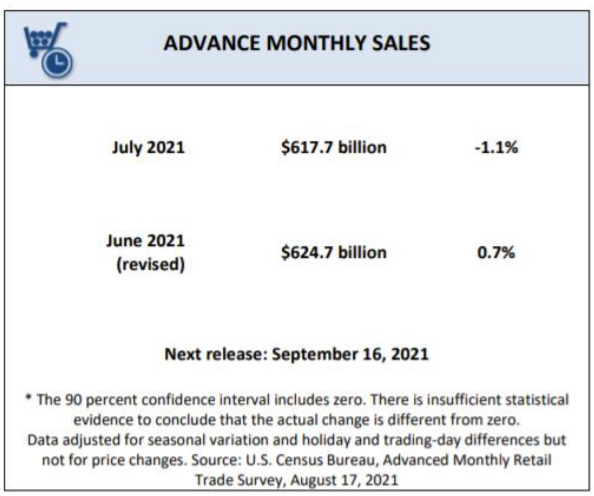
Economic Update, August 20, 2021
Submitted by Kevin Vanzant

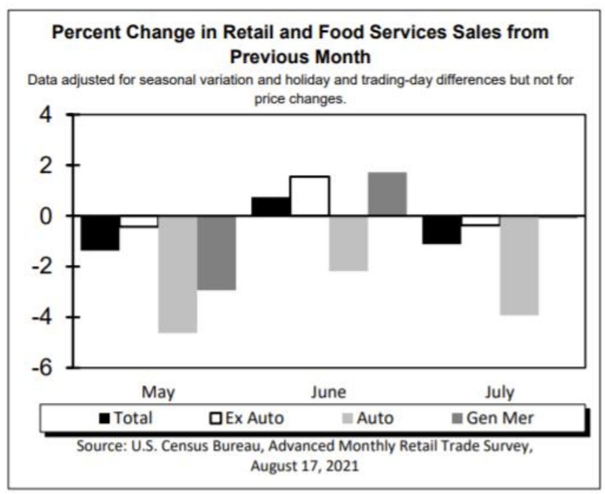
Summary: In a light week for economic data, economic commentators continued to debate the effect that rising COVID cases will have on the U.S. economy. Retail sales were down more than expected in July, which some connected to rising consumer concerns about COVID, and the housing market is also showing signs of strain as surging construction costs are raising prices and affecting demand. Business inventories in June and industrial production in July, in contrast, were both strong, and jobless claims last week hit a pandemic-era low. In the minutes released from their July meeting, members of the Federal Open Market Committee stated that they had seen enough progress in the economy to start tapering the Federal Reserve's current level of bond purchases by the end of the year, despite their acknowledged concerns about rising COVID cases.

Federal Government Indicators and Reports

U.S. Census

Tuesday, Retail Sales: "Advance estimates of U.S. retail and food services sales for July 2021 . . . were $617.7 billion, a decrease of 1.1 percent from the previous month, but 15.8 percent above July 2020. . . . Retail trade sales were down 1.5 percent from June 2021, but up 13.3 percent above last year. Clothing and clothing accessories stores were up 43.4 percent from July 2020, while food services and drinking places were up 38.4 percent from last year."





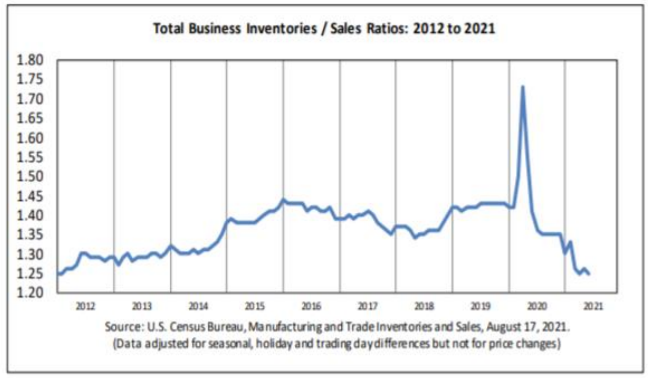
Tuesday, Business Inventories: "The combined value of distributive trade sales and manufacturers' shipments for June . . . was estimated at $1,640.8 billion, up 1.4 percent from May 2021 and was up 19.9 percent from June 2020. . . . Manufacturers' and trade inventories for June . . . were estimated at an end-of-month level of $2,057.4 billion, up 0.8 percent from May 2021 and were up 6.6 percent from June 2020. . . . The total business inventories/sales ratio based on seasonally adjusted data at the end of June was 1.25. The June 2020 ratio was 1.41."

BUSINESS INVENTORIES

JUNE 2021	$2,057.4 billion	+0.8%
MAY 2021 (revised)	$2,040.6 billion	+0.6%

Next release: September 16, 2021

* The 90 percent confidence interval includes zero. There is insufficient evidence to conclude that the actual change is different from zero.
Data adjusted for seasonality but not price changes.
Source: U.S. Census Bureau, Manufacturing and Trade Inventories and Sales, August 17, 2021.

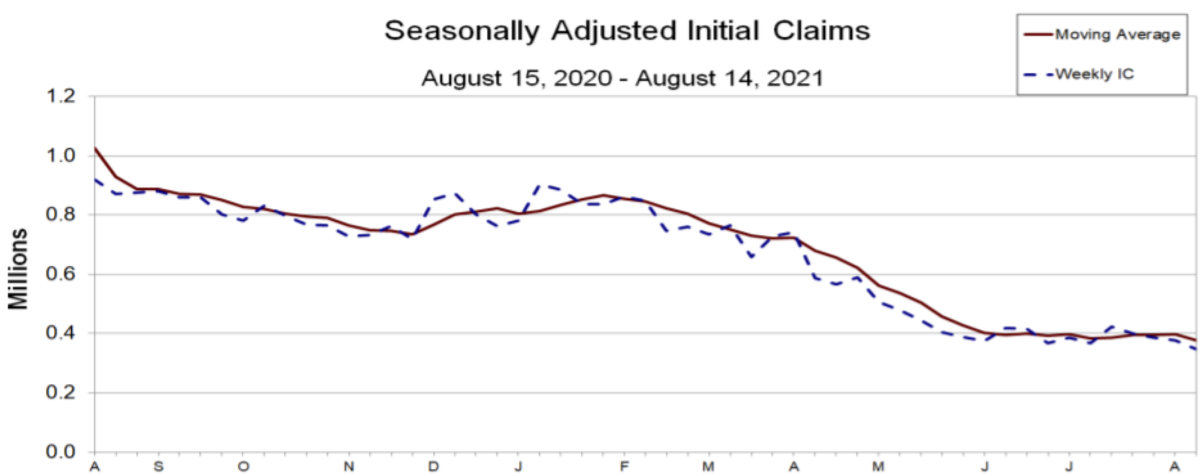


Federal Reserve

Tuesday, Industrial Production: "Industrial production increased 0.9 percent in July after moving up 0.2 percent in June. In July, manufacturing output rose 1.4 percent. About half of the gain in factory output is attributable to a jump of 11.2 percent for motor vehicles and parts, as a number of vehicle manufacturers trimmed or canceled their typical July shutdowns. Despite the large increase last month, vehicle assemblies continued to be constrained by a persistent shortage of semiconductors; the production of motor vehicles and parts in July was about [3.5] percent below its recent peak in January 2021."

Department of Labor

Thursday, Initial Jobless Claims: "In the week ending August 14, the advance figure for seasonally adjusted initial claims was 348,000, a decrease of 29,000 from the previous week's revised level. This is the lowest level for initial claims since March 14, 2020 when it was 256,000." In Tennessee there were 4,365 initial claims in the week ending August 14, a decrease of 624 from the previous week.



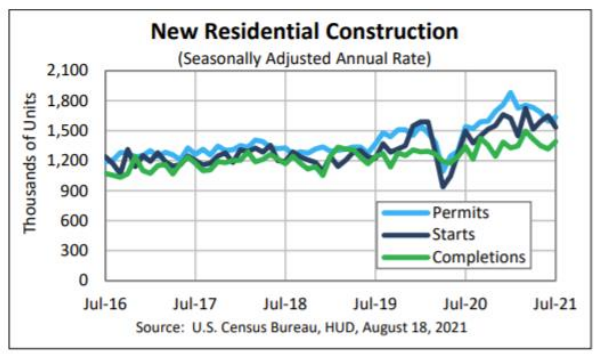
Federal Open Market Committee

Wednesday, Minutes from Meeting on July 27-28, 2001: "Looking ahead, most participants noted that, provided that the economy were to evolve broadly as they anticipated, they judged that it could be appropriate to start reducing the pace of asset purchases this year because they saw the Committee's 'substantial further progress' criterion as satisfied with respect to the price-stability goal and as close to being satisfied with respect to the maximum-employment goal. . . . In contrast, a few other participants suggested that preparations for reducing the pace of asset purchases should encompass the possibility that the reductions might not occur for some time and highlighted the risks that rising COVID-19 cases associated with the spread of the Delta variant could cause delays in returning to work and school and so damp the economic recovery."

Mortgages and Housing Markets

Census Bureau

Tuesday, New Residential Construction: "Privately-owned **building permits** in July were at a seasonally adjusted annual rate of 1,635,000. This is 2.6 percent above the revised June rate of 1,594,000 and is 6.0 percent above the July 2020 rate of 1,542,000. . . . Privately-owned **housing starts** in July were at a seasonally adjusted annual rate of 1,534,000. This is 7.0 percent below the revised June estimate of 1,650,000, but is 2.5 percent above the July 2020 rate of 1,497,000. . . . Privately-owned **housing completions** in July were at a seasonally adjusted annual rate of 1,391,000. This is 5.6 percent above the revised June estimate of 1,317,000 and is 3.8 percent above the July 2020 rate of 1,340,000."



National Association of Homebuilders/Wells Fargo

Tuesday, Housing Market Index: "Builder sentiment in the market for newly built single-family homes fell five points to 75 in August. . . . 'While the demographics and interest for home buying remain solid, higher costs and material access issues have resulted in lower levels of home building and even put a hold on some new home sales,' said NAHB Chief Economist Robert Dietz. 'While these supply-side limitations are holding back the market, our expectation is that production bottlenecks should ease over the coming months and the market should return to more normal conditions.'"