

Economic Update, September 16, 2021  
Submitted by Bob Moreo

Summary: Census data for retail sales in August posted a “surprise gain,” of 0.7 percent, [according to CNBC’s Jeff Cox](#), instead of analysts’ expectation of an 0.8 percent decline. Monthly inflation in August was at its lowest since January of this year, but supply chain concerns persist, [according to Reuters](#), and the [Federal Reserve Bank of New York reported](#) consumers expect inflation to keep rising. Small business optimism was up slightly in August, but “owners are losing confidence in the strength of future business conditions” according to the National Federation of Independent Business, and investment managers surveyed by IHS Markit were also pessimistic about the coming months. On the other hand, preliminary survey results from the University of Michigan indicate some improvement in consumer sentiment may come in September. Initial unemployment claims last week were a bit higher than expected, but [Bloomberg’s Jill Shah notes](#) some of that was due to a jump in claims in Louisiana following the wake of Hurricane Ida.

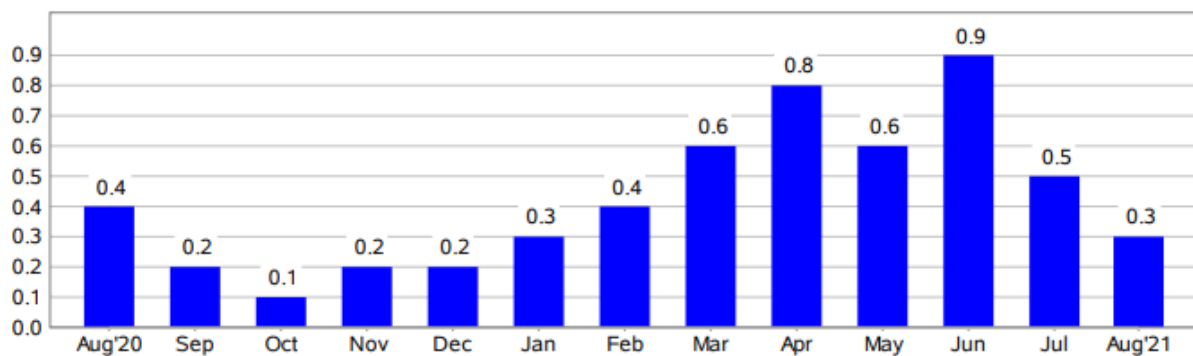
TACIR’s partners at the Business and Economic Research Center at MTSU have updated our interactive [“Tracking Tennessee’s Economy”](#) dashboard with data from July 2021. Center Director Murat Arik says the data were “mixed compared to the previous month,” but overall, the state’s recovery continued. Please visit their website to view data for the state, counties, and metropolitan areas.

**Federal Government Indicators and Reports:**

Bureau of Labor Statistics

Tuesday, [Consumer Price Index](#): “The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in August on a seasonally adjusted basis after rising 0.5 percent in July. . . . Over the last 12 months, the all items index increased 5.3 percent before seasonal adjustment. . . . The index for all items less food and energy rose 0.1 percent in August, its smallest increase since February 2021. . . . The index for all items less food and energy rose 4.0 percent over the last 12 months.”

**Chart 1. One-month percent change in CPI for All Urban Consumers (CPI-U), seasonally adjusted, Aug. 2020 - Aug. 2021**  
Percent change



Tuesday, [Real Earnings](#): “Real average hourly earnings for all employees increased 0.4 percent from July to August, seasonally adjusted,” the combination of a 0.6 percent increase in average hourly earnings with the 0.3 percent increase in CPI-U. “Real average hourly earnings decreased 0.9 percent, seasonally adjusted, from August 2020 to August 2021.”

Wednesday, [U.S. Import and Export Price Indexes](#): “U.S. import prices declined 0.3 percent in August following increases of 0.4 percent in July and 1.1 percent in June. . . . In contrast, prices for U.S. exports advanced 0.4 percent in August, after increasing 1.1 percent in July.”

Thursday, [Employer Costs for Employee Compensation](#): “Employer costs for employee compensation for civilian workers averaged \$38.91 per hour worked in June 2021. . . . Wage and salary costs averaged \$26.85 per hour worked or 69.0 percent of total compensation, while benefit costs were \$12.06 or 31.0 percent of total compensation.”

Friday, [State Employment and Unemployment](#): “Unemployment rates were lower in August in 15 states and the District of Columbia and stable in 35 states. . . . The national unemployment rate, 5.2 percent, declined by 0.2 percentage point over the month and was 3.2 points lower than in August 2020. Nonfarm payroll employment increased in 11 states, decreased in 3 states, and was essentially unchanged in 36 states and the District of Columbia in August 2021.” Tennessee was among the states without a significant change in its unemployment rate, though the number did show slight improvement from 4.7 percent in July to 4.6 percent in August. Nonfarm payroll employment in Tennessee increased just slightly in August, adding approximately 4,400 jobs to the July number—essentially returning to the same level reported in June of this year.

#### Census Bureau

Tuesday, [Income, Poverty and Health Insurance Coverage](#): “Median household income was \$67,521 in 2020, a decrease of 2.9% from the 2019 median of \$69,560. This is the first statistically significant decline in median household income since 2011. . . . The official poverty rate in 2020 was 11.4%, up 1.0 percentage point from 2019. This is the first increase in poverty after five consecutive annual declines. In 2020, there were 37.2 million people in poverty, approximately 3.3 million more than in 2019. . . . The Supplemental Poverty Measure (SPM) rate in 2020 was 9.1%. This was 2.6 percentage points lower than the 2019 SPM rate. The SPM estimates reflect post-tax income that include stimulus payments.”

Thursday, [Advance Monthly Sales for Retail and Food Services](#): “Advance estimates of U.S. retail and food services sales for August 2021 [seasonally adjusted] . . . were \$618.7 billion, an increase of 0.7 percent from the previous month, and 15.1 percent above August 2020. Total sales for the June 2021 through August 2021 period were up 16.3 percent from the same period a year ago.”

Thursday, [Manufacturing and Trade Inventories and Sales](#): “The combined value of distributive trade sales and manufacturers’ shipments for July [seasonally adjusted] . . . was estimated at \$1,652.2 billion, up 0.5 percent from June 2021 and was up 16.3 percent from July 2020. . . . [Inventories] were estimated at an end-of-month level of \$2,069.5 billion, up 0.5 percent from June 2021 and were up 7.2 percent from July 2020.” Seasonally adjusted sales for motor vehicle and parts dealers, which make up 23 percent of retail trade, fell 4.6 percent from June 2021 to July. Excluding these, July’s retail sales were still down 1.4 percent compared to June. The combined 2.2 percent monthly decrease in retail sales nearly outweighed a 1.6 percent increase in manufacturers’ shipments and a 2.0 percent increase in sales by merchant wholesalers.

#### Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending September 11, the advance figure for seasonally adjusted initial claims was 332,000, an increase of 20,000 from the previous week’s revised level. . . . The 4-week moving average was 335,750, a decrease of 4,250 from the previous week’s revised average.” Tennessee’s unadjusted advance figure for initial claims the week ending September 11 was 4,236, a decrease of 1,099 from the previous week.

Federal Reserve Board

Wednesday, [Industrial Production and Capacity Utilization](#): “Industrial production increased 0.4 percent in August after moving up 0.8 percent in July. Late-month shutdowns related to Hurricane Ida held down the gain in industrial production by an estimated 0.3 percentage point. . . . At 101.6 percent of its 2017 average, total industrial production in August was 5.9 percent above its year-earlier level and 0.3 percent above its pre-pandemic (February 2020) level. Capacity utilization for the industrial sector rose 0.2 percentage point in August to 76.4 percent, a rate that is 3.2 percentage points below its long-run (1972–2020) average.”

### **Economic Indicators and Confidence:**

Federal Reserve Bank of New York

Monday, [Survey of Consumer Expectations](#): In the August 2021 survey, “short- and medium-term inflation expectations rose to new series highs. Home price growth expectations continued to moderate in August but remain elevated. Perceptions about households' current financial situations improved and income growth expectations rose to a new series high.”

IHS Markit

Wednesday, [Investment Manager Index](#): “US equity investors’ risk appetite has deteriorated to the worst level recorded over the past year as concerns mount over the ongoing pandemic and investors perceive falling equity market support from monetary and fiscal policy. . . . The survey’s Expected Returns Index fell from zero in August to -12% in September, meaning more investors see returns falling in the next 30 days than anticipate a rise.”

University of Michigan

Friday, [Index of Consumer Sentiment](#): Preliminary survey results for September 2021 show the index rising to 71.0, up 1.0 percent from August’s final reading of 70.3. Consumers’ assessment of current economic conditions fell from August, but expectations improved. Surveys of Consumers chief economist Richard Curtin commented, “the small gain still meant that consumers expected the least favorable economic prospects in more than a decade.”

### **Employment and Businesses:**

American Staffing Association

Thursday, [Quarterly Staffing Employment and Sales Survey](#): “U.S. staffing companies employed an average of 2.6 million temporary and contract workers per week in the second quarter of 2021 . . . down about 74,600 from the first quarter. Staffing employment and sales typically rise in the second quarter following the first quarter seasonal dip. This quarter deviated from the trend, with staffing jobs declining by 2.8% quarter-to-quarter, while temporary and contract staffing sales grew 3.8%. . . . Staffing companies are optimistic about the next few months, expecting their third-quarter revenue to grow 21% year-to-year and projecting an expansion of 20% for the full year of 2021 compared with 2020.”

National Federation of Independent Business

Tuesday, [Small Business Optimism](#): The index “increased in August to 100.1, up 0.4 points from July. Five of the 10 Index components improved, four declined, and one was unchanged. . . . ‘As the economy moves into the fourth quarter, small business owners are losing confidence in the strength of future business conditions,’ said NFIB Chief Economist Bill Dunkelberg. ‘The biggest problems facing

small employers right now is finding enough labor to meet their demand and for many, managing supply chain disruptions.”

S&P Dow Jones

Wednesday, [S&P 500 LinkUp Jobs Index](#): The overall jobs index on September 15, 2021, was 191.95, down 0.12 percent from the previous week.

### **Mortgages and Housing Markets:**

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “30-year fixed-rate mortgage averaged 2.86 percent . . . for the week ending September 16, 2021, down slightly from last week when it averaged 2.88 percent. A year ago at this time, the 30-year FRM averaged 2.87 percent.” According to Sam Khater, Freddie Mac’s Chief Economist, “The holding pattern in rates reflects the markets’ view that the prospects for the economy have dimmed somewhat due to the rebound in new COVID cases.”