

Economic Update, September 3, 2021

Submitted by Bob Moreo

Summary: Hurricane Ida brought devastating 150-mile-per-hour winds to the Louisiana coast on Sunday and spent the rest of the week dumping torrential rain across several states, flooding major east coast cities. Although the storm caused major damage in many communities, early assessments were that [“the impact on the overall U.S. economy will likely be modest.”](#) Friday’s [Employment Situation](#) report for the month of August was a “huge disappointment,” [said CNBC’s Jeff Cox](#). The 235,000 jobs added last month came nowhere near the 720,000 analysts expected—although the blow was softened somewhat by upward revisions of a combined 134,000 to previously reported gains for June and July. Perhaps something else to watch: 5.6 million people reported they had been unable to work because their employer closed or lost business due to the pandemic—up 400,000 from July. The report was the second jobs disappointment of the week, following Wednesday’s news from ADP that the private sector added 374,000 jobs in August, well short of the 613,000 [CNN Business](#) says were expected.

Federal Government Indicators and Reports:

Bureau of Economic Analysis

Thursday, [U.S. International Trade](#): “The goods and services deficit was \$70.1 billion in July, down \$3.2 billion from \$73.2 billion in June, revised. July exports were \$212.8 billion, \$2.8 billion more than June exports. July imports were \$282.9 billion, \$0.4 billion less than June imports.”

Bureau of Labor Statistics

Wednesday, [Metropolitan Area Employment and Unemployment](#): “Unemployment rates were lower in July than a year earlier in 388 of the 389 metropolitan areas. . . . A total of 31 areas had jobless rates of less than 3.0 percent and 7 areas had rates of at least 10.0 percent. Nonfarm payroll employment increased over the year in 142 metropolitan areas and was essentially unchanged in 247 areas. The national unemployment rate in July was 5.7 percent, not seasonally adjusted, down from 10.5 percent a year earlier.”

Table 1. Civilian labor force and unemployment by state and metropolitan area for Tennessee, July 2021

State and area	Civilian labor force	Number unemployed	Unemployed percent of labor force
Tennessee	3,354,320	156,571	4.7
Chattanooga	277,653	10,930	3.9
Clarksville	117,805	6,041	5.1
Cleveland	60,122	2,748	4.6
Jackson	65,705	3,077	4.7
Johnson City	90,811	3,907	4.3
Kingsport-Bristol	135,475	6,074	4.5
Knoxville	439,026	16,942	3.9
Memphis	659,385	45,606	6.9
Morristown	53,353	2,402	4.5
Nashville-Davidson—Murfreesboro--Franklin	1,102,445	41,240	3.7

Table 3. Employees on nonfarm payrolls by state and metropolitan area for Tennessee [in thousands]

State and area	July 2021	Change from July 2020 to July 2021	
		Number	Percent
Tennessee	3,069.7	151.6	5.2
Chattanooga	262.4	11.0	4.4
Clarksville	91.8	4.2	4.8
Cleveland	47.9	-0.4	-0.8
Jackson	68.9	3.3	5.0
Johnson City	78.4	2.4	3.2
Kingsport-Bristol	116.7	3.5	3.1
Knoxville	406.8	20.8	5.4
Memphis	643.0	39.6	6.6
Morristown	46.9	1.8	4.0
Nashville-Davidson—Murfreesboro--Franklin	1,039.1	70.0	7.2

Thursday, [Productivity and Costs](#): “Nonfarm business sector labor productivity increased 2.1 percent in the second quarter of 2021 . . . as output increased 8.1 percent and hours worked increased 6.0 percent. . . . Unit labor costs in the nonfarm business sector increased at an annual rate of 1.3 percent in the second quarter of 2021, reflecting a 3.4-percent increase in hourly compensation and a 2.1-percent increase in productivity.”

Friday, [Employment Situation](#): “Total nonfarm payroll employment rose by 235,000 in August, and the unemployment rate declined by 0.2 percentage point to 5.2 percent. . . . So far this year, monthly job growth has averaged 586,000. . . . The number of unemployed persons edged down to 8.4 million, following a large decrease in July,” but it remains above its pre-pandemic February 2020 level of 5.7 million. In addition to the 8.4 million officially unemployed, there are 5.7 million persons not in the labor force who currently want a job—835,000 fewer than the previous month. The previously reported employment gains for June and July were revised up a combined 134,000.

Bureau of Transportation Statistics

Thursday, [Airlines’ Fuel Cost and Consumption](#): “U.S. airlines used 9.6% more fuel in July 2021 than in June 2021 to reach the highest monthly consumption level since January 2020 but still remained 20% lower than in pre-pandemic July 2019.”

Census Bureau

Wednesday, [Construction Spending](#): “Construction spending during July 2021 was estimated at a seasonally adjusted annual rate of \$1,568.8 billion, 0.3 percent above the revised June estimate of \$1,563.4 billion. The July figure is 9.0 percent above the July 2020 estimate of \$1,439.6 billion.” The seasonally adjusted annual rate of spending for new single-family residential construction increased 0.9 percent to \$416.3 billion in July and is up 5.1 percent since March 2021.

Thursday, [Manufacturers’ Shipments, Inventories, and Orders](#): “New orders for manufactured goods in July, up fourteen of the last fifteen months, increased \$1.9 billion or 0.4 percent to \$508.1 billion. . . . Shipments, also up fourteen of the last fifteen months, increased \$7.8 billion or 1.6 percent to \$508.5 billion. . . . Inventories, up thirteen of the last fourteen months, increased \$3.7 billion or 0.5 percent to \$744.4 billion.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending August 28, the advance figure for seasonally adjusted initial claims was 340,000, a decrease of 14,000 from the previous week’s revised level.” This is the lowest number of initial claims since March 14, 2020. In the week ending August 28, the advance figure for initial claims in Tennessee was 6,936—up 1,532 from the week prior.

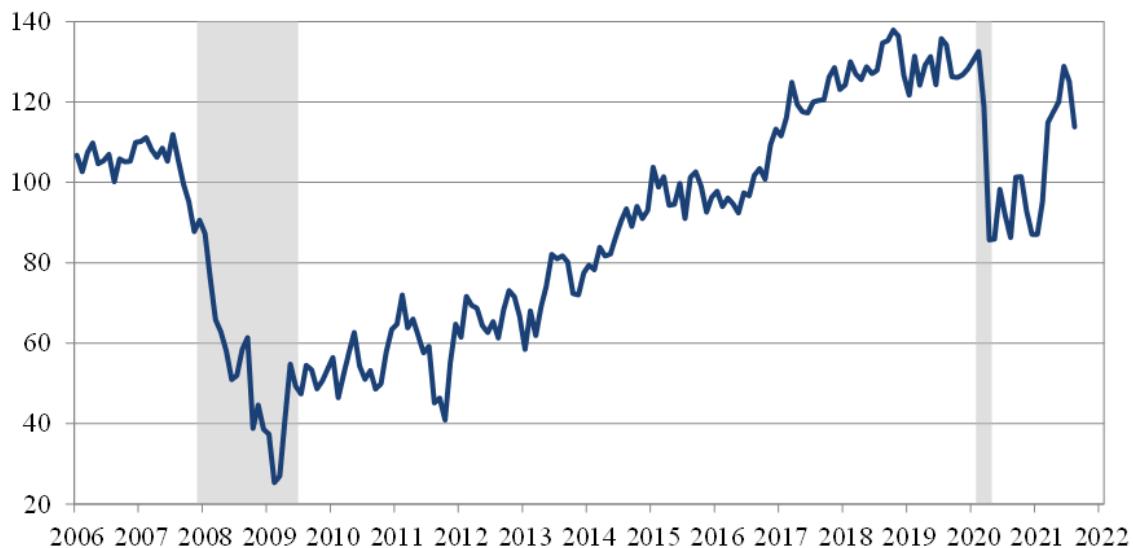
Economic Indicators and Confidence:

The Conference Board

Tuesday, [Consumer Confidence Survey](#): “The Conference Board Consumer Confidence Index . . . now stands at 113.8, down from 125.1 in July. The Present Situation Index . . . fell to 147.3 from 157.2 last month. The Expectations Index . . . fell to 91.4 from 103.8.” This was the lowest confidence reading since February 2021. According to Lynn Franco, senior director of economic indicators at The Conference Board, “Concerns about the Delta variant—and, to a lesser degree, rising gas and food prices—resulted in a less favorable view of current economic conditions and short-term growth prospects.”

Consumer Confidence Index®

Index, 1985 = 100



*Shaded areas represent periods of recession.
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IHS Markit

Wednesday, [U.S. Manufacturing PMI](#): The U.S. Manufacturing Purchasing Managers’ Index registered 61.1 in August, down from 63.4 in July. “Although slightly softer than that seen in July, the expansion was supported by steep upturns in production and new orders. Nevertheless, output growth was reportedly hampered by capacity constraints and material shortages. Lead times for inputs extended further as cost burdens soared, with the pace of inflation reaching a fresh series high.”

Friday, [U.S. Services and Composite PMI](#): The U.S. Services Purchasing Managers’ Index registered 55.1 in August, down from 59.9 in July. “Output increased at the slowest rate for eight

months, as less robust demand conditions led to the softest rise in new business since August 2020 and supply constraints limited growth. . . . Business expectations improved in August, as service providers signaled a stronger degree of confidence regarding the outlook for output over the coming year. . . . The IHS Markit U.S. Composite PMI Output Index posted 55.4 in August, down from 59.9, to signal the slowest expansion in private sector output in 2021 to date.”

Friday, [U.S. Sector PMI Indices](#): “All seven broad categories monitored by the US Sector PMI series recorded higher levels of business activity during August, but in each case the rate of growth was slower than in July. Consumer Services saw the greatest loss of momentum (index at 55.7 in August, down from 64.1). . . . Healthcare (60.9) was the fastest-growing part of the US private sector economy.”

University of Michigan

Friday (8/27), [Index of Consumer Sentiment](#): “The Consumer Sentiment Index fell by 13.4% from July, recording the least favorable economic prospects in more than a decade. The Sentiment Index has only recorded larger losses in six other monthly surveys since 1978. . . . Consumers’ extreme reactions were due to the surging Delta variant, higher inflation, slower wage growth, and smaller declines in unemployment.”

Final Results for August 2021

	Aug 2021	Jul 2021	Aug 2020	M-M Change	Y-Y Change
Index of Consumer Sentiment	70.3	81.2	74.1	-13.4%	-5.1%
Current Economic Conditions	78.5	84.5	82.9	-7.1%	-5.3%
Index of Consumer Expectations	65.1	79.0	68.5	-17.6%	-5.0%

Employment and Businesses:

ADP

Wednesday, [National Employment Report](#): “Private sector employment increased by 374,000 jobs from July to August.” ADP’s chief economist, Nela Richardson, said, “Despite the slowdown, job gains are approaching 4 million this year, yet still 7 million jobs short of pre-COVID-19 levels. Service providers continue to lead growth, although the Delta variant creates uncertainty for this sector.”

Challenger, Gray, & Christmas

Thursday, [Job Cuts Report](#): “U.S.-based employers announced 15,723 job cuts in August, down 17% from the 18,942 cuts announced in July. Last month’s total is the lowest since in June 1997. . . . ‘Companies are much more concerned about their talent getting poached than with finding ways to cut staff. They are in full retention mode,’ said Andrew Challenger, senior vice president of Challenger, Gray & Christmas, Inc. . . . While job cuts are at record lows, hiring announcements have picked up. In August, employers announced plans to hire 94,004 workers, 80,000 of whom are seasonal for the holidays.”

Institute for Supply Management

Wednesday, [Manufacturing ISM Report on Business](#): “The August Manufacturing PMI registered 59.9 percent, an increase of 0.4 percentage point from the July reading of 59.5 percent. This figure indicates expansion in the overall economy for the 15th month in a row after contraction in April 2020.

. . . Panelists reported that their companies and suppliers continue to struggle at unprecedented levels to meet increasing demand. All segments of the manufacturing economy are impacted by record-long raw-materials lead times, continued shortages of critical basic materials, rising commodities prices and difficulties in transporting products. The new surges of COVID-19 are adding to pandemic-related issues.”

Friday, [Services ISM Report on Business](#): “The Services PMI registered 61.7 percent, 2.4 percentage points lower than the all-time high reading of 64.1 in July. The August reading indicates the 15th straight month of growth for the services sector, which has expanded for all but two of the last 139 months. . . . The tight labor market, materials shortages, inflation and logistics issues continue to cause capacity constraints.”

Paychex | IHS Markit

Tuesday, [Small Business Employment Watch](#): “National job growth continued to rise significantly in August. . . . The Small Business Jobs Index gained 0.45 percent in August. At 99.80, the national index has increased 5.74 percent during the past 12 months, representing a record-high year-over-year growth rate. Hourly earnings growth increased to 3.42 percent in August, its third consecutive gain. . . . Tennessee and Illinois were the only states where the pace of small business employment growth slowed in August.”

Mortgages and Housing Markets:

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “30-year fixed-rate mortgage averaged 2.87 percent . . . for the week ending September 2, 2021, unchanged from last week. A year ago at this time, the 30-year FRM averaged 2.93 percent.” Sam Khater, Freddie Mac’s chief economist, says stable demand and improving inventory levels “will allow for home price pressures to ease over the remainder of the year.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications decreased 2.4 percent from one week earlier, according to data . . . for the week ending August 27, 2021. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances remained unchanged at 3.03 percent.” The average purchase loan size was \$396,500, the highest in five weeks.

National Association of Realtors

Monday, [Pending Home Sales Index](#): “Pending home sales dipped modestly in July, noting two consecutive months of declines. . . . The Pending Home Sales Index . . . declined 1.8% to 110.7 in July. Year-over-year, signings fell 8.5%.”