

Economic Update, April 3, 2020  
Submitted by Dave Keiser

Summary: The effects of the response to the global pandemic continue to dominate news on the economy this week. Over 700,000 jobs were lost in March, and over 6.6 million people filed for unemployment last week, increasing the national unemployment rate one percentage point to 4.4 percent. To demonstrate the sheer magnitude of the unemployed, [Reuters](#) created a graphic showing the length of the line that would result if everyone filing unemployment claims from the past two weeks were to stand in line with six feet of social distancing. Consumer confidence is plummeting, and according to the Conference Board, the decline “is more in line with a severe contraction—rather than a temporary shock—and further declines are sure to follow.” The University of Tennessee announced a new research group, called the [Coronavirus-19 Outbreak Response Experts \(CORE-19\)](#), to provide “evidence-based information for policymakers, industry, and the public on pressing questions regarding the global pandemic.” The group includes economic, public health, public policy, and agriculture experts. One of its first policy briefs [argues](#) that framing our current predicament as a decision between having a healthy economy and protecting public health sets up a false choice for policymakers.

**Federal Government Indicators and Reports:**

Bureau of Economic Analysis

Tuesday, [U.S. International Investment](#): “The U.S. net international investment position, the difference between U.S. residents’ foreign financial assets and liabilities, was  $-\$10.99$  trillion at the end of the fourth quarter of 2019. . . . Assets totaled  $\$29.32$  trillion and liabilities were  $\$40.31$  trillion.”

Thursday, [U.S. International Trade in Goods and Services](#): “The goods and services deficit was  $\$39.9$  billion in February, down  $\$5.5$  billion from  $\$45.5$  billion in January, revised. February exports were  $\$207.5$  billion,  $\$0.8$  billion less than January exports. February imports were  $\$247.5$  billion,  $\$6.3$  billion less than January imports. . . . Year-to-date, the goods and services deficit decreased  $\$19.7$  billion, or 18.7 percent, from the same period in 2019. Exports increased  $\$1.1$  billion or 0.3 percent. Imports decreased  $\$18.6$  billion or 3.6 percent.”

Bureau of Labor Statistics

Friday, [Employment Situation](#): “Total nonfarm payroll employment fell by 701,000 in March, and the unemployment rate rose to 4.4 percent. . . . The changes in these measures reflect the effects of the coronavirus (COVID-19) and efforts to contain it. Employment in leisure and hospitality fell by 459,000, mainly in food services and drinking places. Notable declines also occurred in health care and social assistance, professional and business services, retail trade, and construction.”

Chart 1. Unemployment rate, seasonally adjusted, March 2018 – March 2020

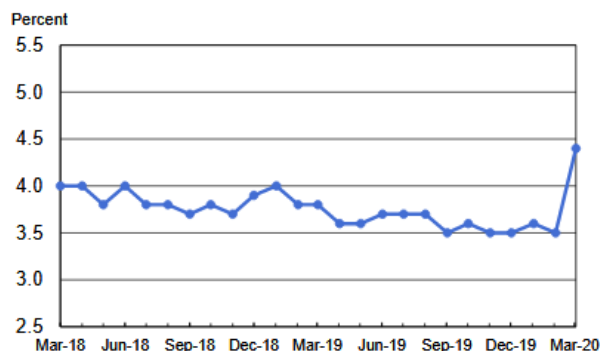
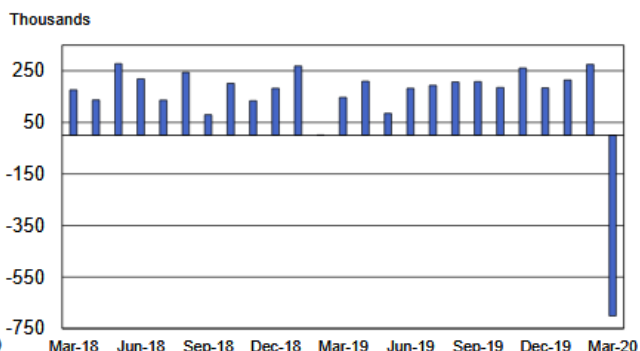


Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, March 2018 – March 2020



Bureau of Transportation Statistics

Thursday, [Airline Freight](#): The 15 U.S. airlines that carried the most freight “carried 0.7% less freight by weight in January 2020 than in January 2019.” Although domestically the weight of freight carried increased, January was the “fifth consecutive month in which the weight of international freight on . . . U.S. airlines declined from the same month of the previous year.”

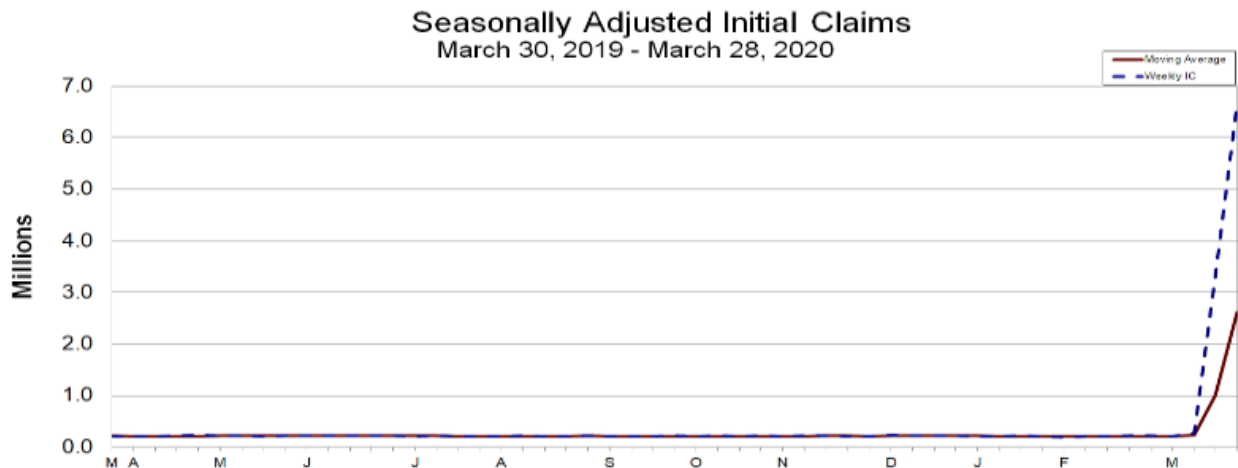
Census Bureau

Wednesday, [Construction Spending](#): “Construction spending during February 2020 was estimated at a seasonally adjusted annual rate of \$1,366.7 billion, 1.3 percent below the revised January estimate of \$1,384.5 billion. The February figure is 6.0 percent above the February 2019 estimate of \$1,289.0 billion. During the first two months of this year, construction spending amounted to \$193.5 billion, 8.2 percent above the \$178.8 billion for the same period in 2019.”

Thursday, [Manufacturers’ Shipments, Inventories, and Orders](#): “New orders for manufactured goods in February, down three of the last four months, decreased \$0.1 billion or virtually unchanged to \$497.4 billion. . . . Shipments, down two consecutive months, decreased \$0.8 billion or 0.2 percent to \$500.3 billion. . . . Unfilled orders, up four of the last five months, increased \$1.4 billion or 0.1 percent to \$1,158.6 billion. . . . Inventories, down two consecutive months, decreased \$2.6 billion or 0.4 percent to \$699.4 billion. . . . The inventories-to-shipments ratio was 1.40, unchanged from January.”

Department of Labor

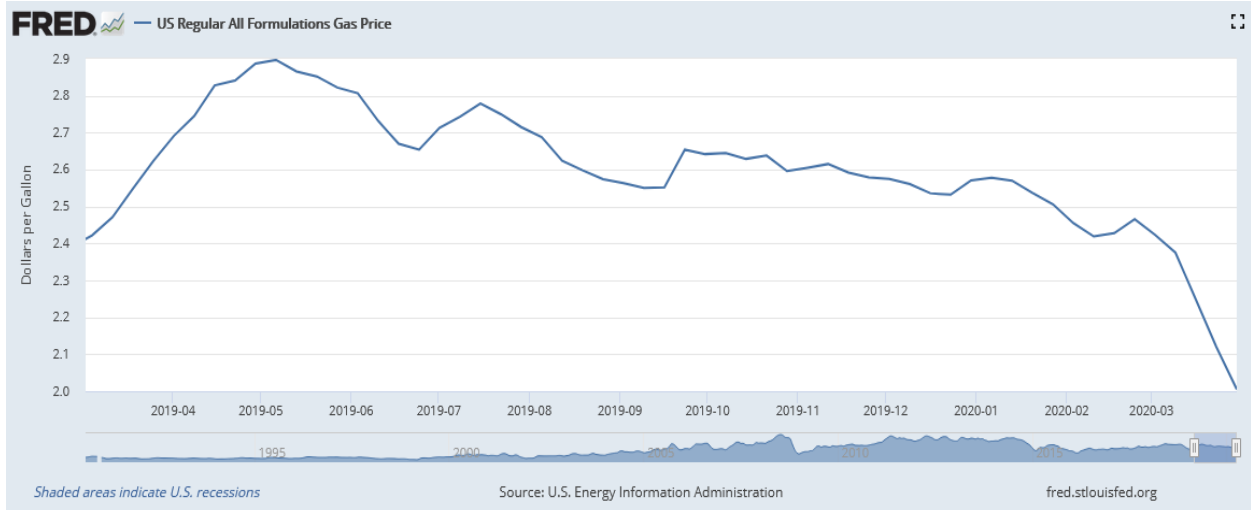
Thursday, [Initial Claims](#): “In the week ending March 28, the advance figure for seasonally adjusted initial claims was 6,648,000, an increase of 3,341,000 from the previous week’s revised level. This marks the highest level of seasonally adjusted initial claims in the history of the seasonally adjusted series. . . . The 4-week moving average was 2,612,000, an increase of 1,607,750 from the previous week’s revised average.” [In Tennessee](#), over 94,000 people filed for unemployment during the week of March 28, up from 38,000 the week before.



Energy Information Administration

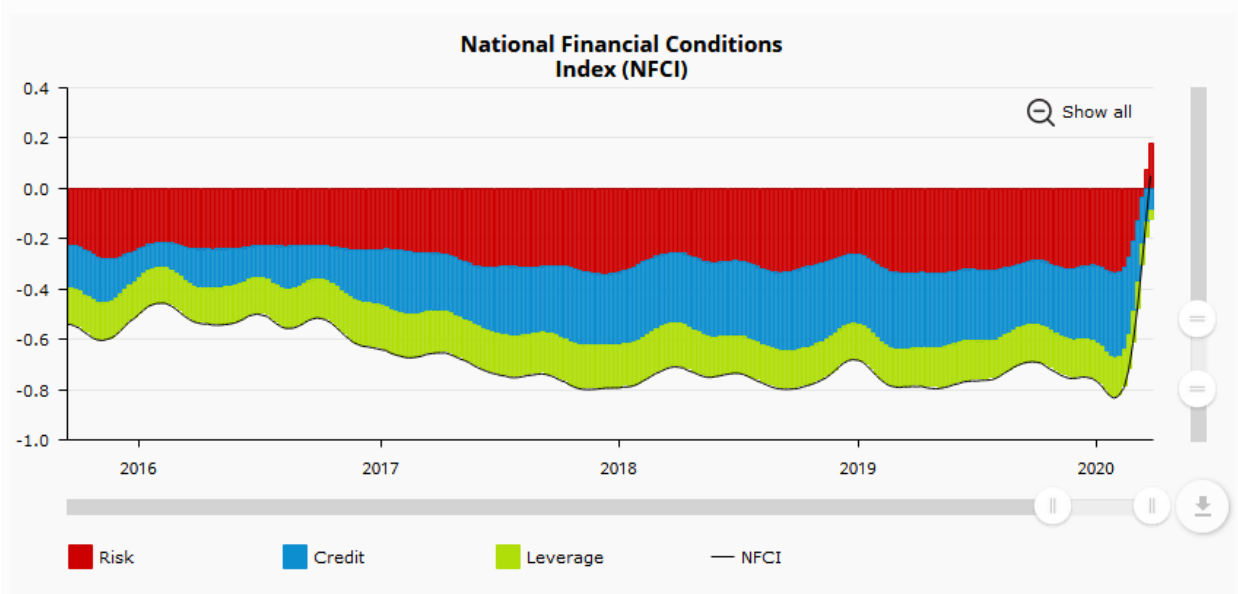
Monday, [Gasoline and Diesel Fuel Update](#): The price of gas continues its downward trend. After dropping 13 cents last week, the national average price per gallon decreased 11.5 cents (5.4 percent) since last week and is down almost 69 cents (25.5 percent) since this point last March. It will be interesting to see how the reported [oil production deal between Russia and Saudi Arabia](#) affects the

price of gas in next week's report, as these two countries agree to cut production by 10 million barrels per day.



### Federal Reserve Bank of Chicago

Wednesday, [National Financial Conditions Index](#): The index “was 0.05 in the week ending March 27, up from -0.13 in the previous week and reaching its highest level since mid-December 2011.” Positive values of the index “have been historically associated with tighter-than-average financial conditions, while negative values have been historically associated with looser-than-average financial conditions.”



Notes: This figure plots the NFCI, along with contributions to the index from the three categories of financial indicators (risk, credit, and leverage). The contributions sum to the overall index.

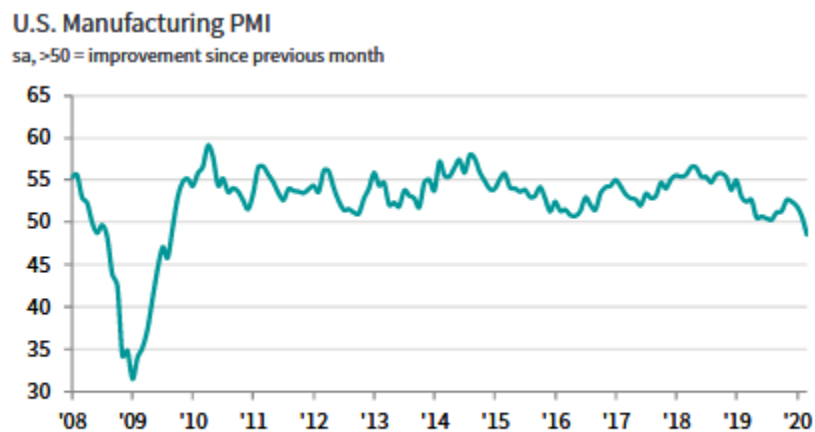
### **Economic Indicators and Confidence:**

The Conference Board

Tuesday, [Consumer Confidence](#): The index “declined sharply in March, following an increase in February. The Index now stands at 120.0 (1985=100), down from 132.6 in February. The Present Situation Index—based on consumers’ assessment of current business and labor market conditions—decreased from 169.3 to 167.7. The Expectations Index—based on consumers’ short-term outlook for income, business and labor market conditions—declined from 108.1 last month to 88.2 this month.” According to Lynn Franco, Senior Director of Economic Indicators at The Conference Board, “the Present Situation Index remained relatively strong, reflective of an economy that was on solid footing . . . prior to the recent surge in unemployment claims. However, the intensification of COVID-19 and extreme volatility in the financial markets have increased uncertainty about the outlook for the economy and jobs. March’s decline in confidence is more in line with a severe contraction—rather than a temporary shock—and further declines are sure to follow.”

IHS Markit

Wednesday, [Manufacturing Purchasing Managers’ Index \(PMI\)](#): “March data indicated a moderate deterioration in operating conditions across the U.S. manufacturing sector. Driving the overall decline were the sharpest downturns in output and new orders since the financial crisis in 2009 amid weak domestic and foreign demand conditions following the outbreak of coronavirus disease 2019 (COVID-19). Emergency measures to tackle the spread of the virus also led to a solid fall in workforce numbers and business confidence, as factories shutdown and laid off staff.”



Source: IHS Markit.

Friday, [U.S. Sector Purchasing Managers’ Index \(PMI\)](#): “The latest data, collected between [the] 12th and 27th March, signaled declines in activity across six of the seven broad categories amid the coronavirus disease 2019 (COVID-19) pandemic, with healthcare the only exception. Survey-record reductions in business activity were reported by consumer services, technology, industrials and financials as emergency public health measures led to business closures and sharply reduced client demand. . . . March data pointed to a slower reduction in output volumes across the basic materials sector in comparison to most other non-healthcare categories of activity. Meanwhile, consumer goods production dropped only marginally, with the resilience of this sector driven by food and drink manufacturing.”

### **Employment and Businesses:**

ADP

Wednesday, [National Employment](#): “Private sector employment decreased by 27,000 jobs from February to March. . . . The report utilizes data through the 12th of the month,” so the effect of public health measures to control the spread of the coronavirus will be more telling next month. Medium business (50 to 499 employees) added 7,000, and large corporations (at least 500 employees) added 56,000 jobs. However, small businesses (fewer than 50 employees) were already in decline, down 90,000 jobs.

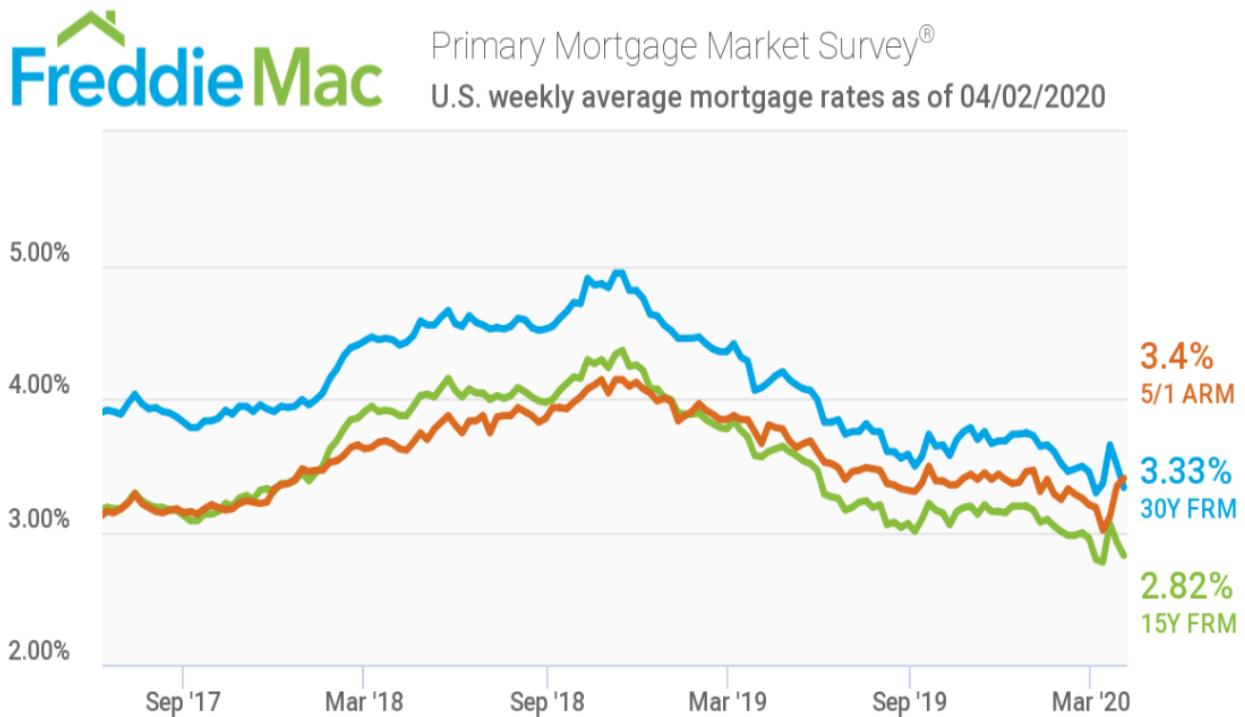
National Federation of Independent Business

Thursday, [Coronavirus Impact on Small Businesses](#): The “latest survey on the current impact of the COVID-19 outbreak on small business shows continued deterioration of the small business sector. The severity of the outbreak and regulatory measures that cities and states are taking to control it are having a devastating impact on small businesses. Currently, 92% of small employers are negatively impacted by the outbreak of the novel coronavirus, a continued escalation from 76% of small employers reporting negative impacts 10 days earlier. About 3% are positively impacted. These firms are likely experiencing stronger sales due to a sharp rise in demand for certain products, goods, and services. This will likely ease in the coming weeks as consumers feel more secure about their personal supply levels.”

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

Freddie Mac

Thursday, [Mortgage Rates](#): “Mortgage rates have drifted down for two weeks in a row and that drop reflects improvements in market liquidity and sentiment. While the market has stabilized relative to prior weeks, homebuyer demand has declined in response to current economic conditions. The good news is that the pending economic stimulus is on the way and will provide support for both consumers and businesses.”



Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 15.3 percent from one week earlier . . . for the week ending March 27, 2020. ‘Mortgage rates and applications continue to experience significant volatility from the economic and financial market uncertainty caused by the coronavirus crisis. After two weeks of sizeable increases, mortgage rates dropped back to the lowest level in MBA’s survey, which in turn led to a 25 percent jump in refinance applications,’ said Joel Kan, MBA’s Associate Vice President of Economic and Industry Forecasting. ‘The bleaker economic outlook, along with the first wave of realized job losses reported in last week’s unemployment claims numbers, likely caused potential homebuyers to pull back. Purchase applications were down over 10 percent, and after double-digit annual growth to start 2020, activity has fallen off last year’s pace for two straight weeks.’”

National Association of Home Builders

Friday, [Coronavirus Impact on Home Sales](#): “The second week of NAHB’s online poll showed that several of the coronavirus’s impacts on the residential construction industry have become more widespread and severe. Once again, traffic ranked as the most widespread problem, with 93 percent of respondents saying the coronavirus has had an adverse impact on traffic of prospective buyers.”