

Economic Update, January 8, 2021  
Submitted by Michael Mount

Summary: The jobs report was very disappointing, as nonfarm employment decreased by 140,000, the first decrease since April 2020. According to the Bureau of Labor Statistics, “the decline in payroll employment reflects the recent increase in coronavirus (COVID-19) cases and efforts to contain the pandemic.” Growth in services slowed, and consumer services in particular declined amid ongoing social distancing. Manufacturing and international trade expanded, as did the trade deficit.

**Federal Government Indicators and Reports**

Census

Monday, [Construction Spending](#): In November 2020, the annual rate of total construction spending increased 0.9 percent from October 2020 and 3.8 percent from November 2019.

Wednesday, [Manufacturers’ Shipments](#): “New orders for manufactured goods in November, up seven consecutive months, increased \$5.0 billion or 1.0 percent to \$487.2 billion.” This followed a 1.3 percent October increase. Excluding transportation, the increase for November was 0.8 percent.

Thursday, [International Trade](#): “The goods and services deficit was \$68.1 billion in November, up \$5.0 billion from \$63.1 billion in October. . . . November exports were \$184.2 billion, \$2.2 billion more than October exports. November imports were \$252.3 billion, \$7.2 billion more than October imports.”

Friday, [Wholesale Trade](#): “November 2020 sales of merchant wholesalers, except manufacturers’ sales branches and offices . . . were \$496.7 billion, up 0.2 percent from the revised October level, but were down 0.2 percent from the revised November 2019 level.”

Bureau of Labor Statistics

Tuesday, [Metropolitan Area Employment and Unemployment](#): “Unemployment rates were higher in November than a year earlier in 386 of the 389 metropolitan areas and lower in 3 areas.” Unemployment rates in Tennessee’s metropolitan areas ranged from 4.2 percent (Nashville-Davidson—Murfreesboro—Franklin) to 6.7 percent (Memphis) in November 2020.

Friday, [Nonfarm Payrolls](#): “Total nonfarm payroll employment declined by 140,000 in December, and the unemployment rate was unchanged at 6.7 percent. . . . The decline in payroll employment reflects the recent increase in coronavirus (COVID-19) cases and efforts to contain the pandemic. In December, job losses in leisure and hospitality and in private education were partially offset by gains in professional and business services, retail trade, and construction.”

Department of Labor

Thursday, [Initial Claims](#): “In the week ending January 2, the advance figure for seasonally adjusted initial claims was 787,000, a decrease of 3,000 from the previous week’s revised level.”

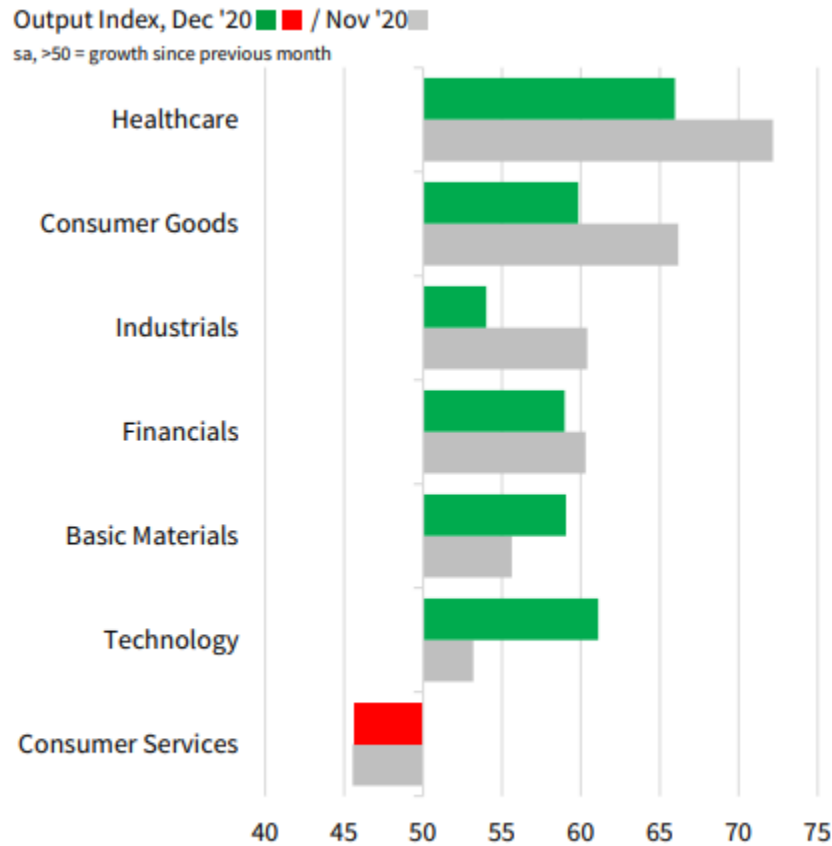
**Economic Indicators and Confidence**

IHS Markit

Monday, [Manufacturing PMI](#): The index “signaled a marked improvement in operating conditions across the U.S. manufacturing sector. The upturn was the sharpest since September 2014. Although supported by further substantial increases in output and new orders, the headline figure was pushed higher by severe supply chain disruption.”

Wednesday, [Services PMI](#): The index “signaled a slower expansion in business activity across the U.S. service sector. Although still solid, the upturn eased notably from November’s recent high, as new business growth softened amid increased virus cases.”

Wednesday, [Sector PMI](#): “Of the seven categories monitored by the US Sector PMI series, the healthcare sector continued to lead the private sector upturn in December. . . . The consumer services sector remained in contraction territory in the final month of 2020, amid ongoing social-distancing guidelines.”



Source: IHS Markit.

Institute for Supply Management

Tuesday, [Manufacturing PMI](#): The index “registered 60.7 percent, up 3.2 percentage points from the November reading of 57.5 percent. This figure indicates expansion in the overall economy for the eighth month in a row after contracting in March, April, and May, which ended a period of 131 consecutive months of growth.”

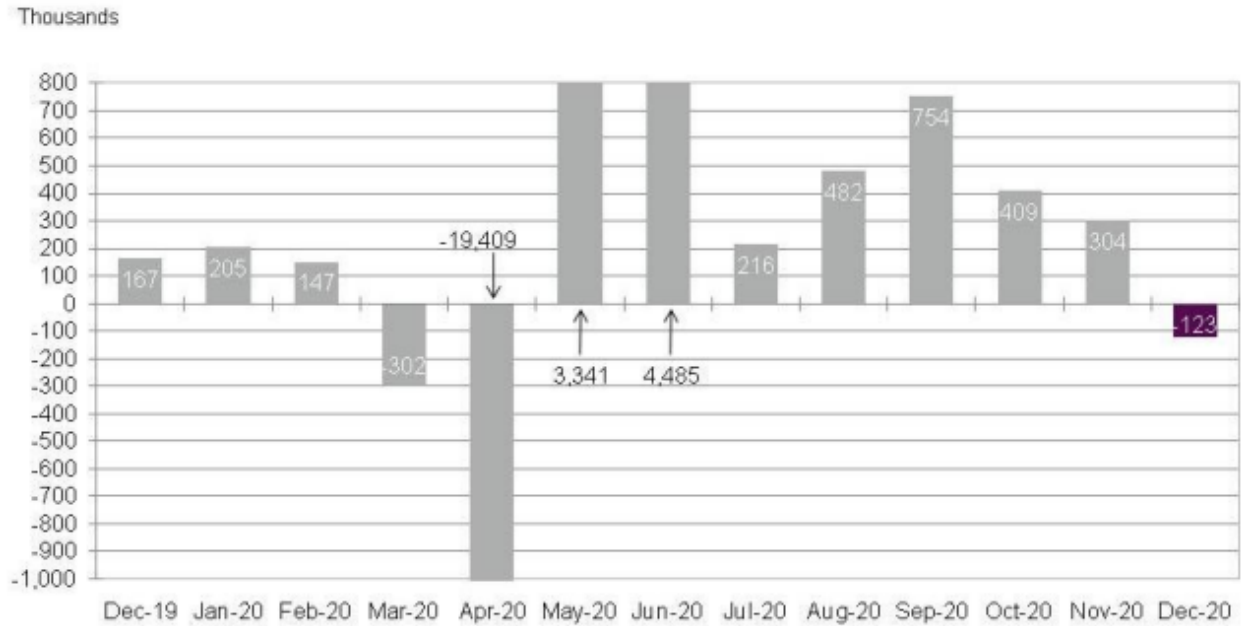
Challenger

Thursday, [Job Cuts](#): “Planned job cuts announced by U.S.-based companies jumped to 77,030 in December, up 18.9% from the 64,797 in November. . . . December’s total is 134.5% higher than the 32,843 cuts announced in the final month of last year.”

ADP

Wednesday, [Employment](#): “Private sector employment decreased by 123,000 jobs from November to December.”

**Chart 1. Change in Total Nonfarm Private Employment**



Sources: ADP Research Institute®

**Federal Reserve**

Wednesday, [FOMC Minutes](#): “The COVID-19 pandemic and the measures undertaken to contain its spread continued to affect economic activity in the United States and abroad. The information available at the time of the December 15–16 meeting suggested that U.S. real gross domestic product (GDP) was continuing to recover in the fourth quarter, but at a more moderate pace than its rapid third-quarter rate, and that the level of real GDP remained well below its level at the start of 2020. Labor market conditions improved further over October and November, although employment continued to be well below its level at the beginning of the year. Consumer price inflation through October—as measured by the 12-month percentage change in the PCE price index—remained notably below the rates seen in early 2020.”

**Mortgages and Housing Markets**

**Mortgage Bankers Association**

Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 4.2 percent from two weeks earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$510,400 or less) decreased to 2.86 percent from 2.90 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to 2.40 percent from 2.42 percent.”