Economic Update, November 13, 2020
Submitted by Michael Mount

Summary: The jobs report was good, with initial claims for unemployment insurance decreasing 48,000 from the previous week, and the 60-plus-days mortgage delinquency rate improved. Business optimism improved amid hopes of an end to the COVID-19 pandemic. However, surging coronavirus cases and a lapse in federal stimulus have made Americans more pessimistic about the economy, and the perceived probability of finding a job declined to its lowest level since April 2014. A larger percentage Americans plan to spend less this holiday season than they did last year compared with those who say they plan to spend more, but the margin decreases when survey respondents are asked to assume they will receive an additional $1,200 federal stimulus payment.

Federal Government Indicators and Reports:

Bureau of Labor Statistics

Tuesday, Job Openings and Labor Turnover: "The number of job openings was little changed at 6.4 million on the last business day of September. . . . Hires and total separations were little changed at 5.9 million and 4.7 million, respectively. Within separations, the quits rate was little changed at 2.1 percent while the layoffs and discharges rate decreased to a series low of 0.9 percent."

Thursday, Real Earnings: "Real average hourly earnings for all employees increased 0.1 percent from September to October, seasonally adjusted. . . . Real average hourly earnings increased 3.2 percent, seasonally adjusted, from October 2019 to October 2020."

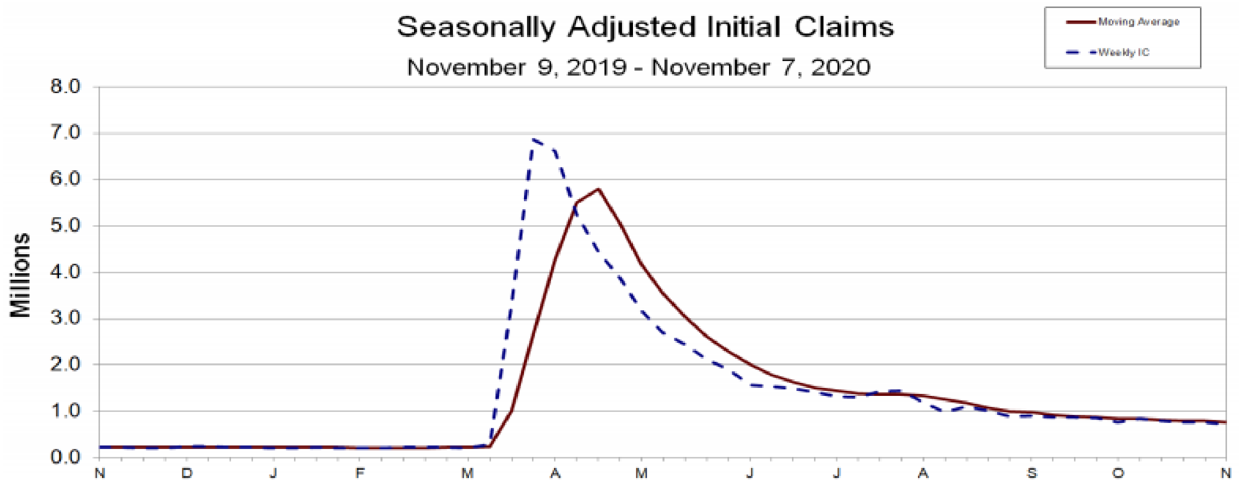
Thursday, Consumer Price Index: "The Consumer Price Index for All Urban Consumers (CPI-U) was unchanged in October on a seasonally adjusted basis after rising 0.2 percent in September. . . . Over the last 12 months, the all items index increased 1.2 percent before seasonal adjustment."

Bureau of Economic Analysis

Tuesday, Outdoor Recreation: "Inflation-adjusted (real) GDP for the outdoor recreation economy grew by 1.3 percent in 2019, compared with 2.2 percent growth of the overall U.S. economy." State outdoor recreation value added as a percent of state GDP in 2019 was 2.4 percent for Tennessee compared with 2.1 percent for the United States.

Department of Labor

Thursday, Initial Claims: "In the week ending November 7, the advance figure for seasonally adjusted initial claims was 709,000, a decrease of 48,000 from the previous week's revised level. The 4-week moving average was 755,250, a decrease of 33,250 from the previous week's revised average."



Economic Indicators and Confidence:

Federal Reserve

Monday, Consumer Expectations: The survey "shows households reporting a decline in income and spending growth expectations and a mixed labor market outlook. Regarding labor market expectations, the mean perceived probability of losing one's job in the next twelve months decreased to 15.5 percent in October from 16.6 percent in September, remaining above its pre-COVID-19 reading of 13.8 percent in February. However, the mean perceived probability of finding a job (if one's current job was lost) declined 3 percentage points to 46.9 percent in October, the lowest such reading since April 2014."

National Federation of Independent Businesses

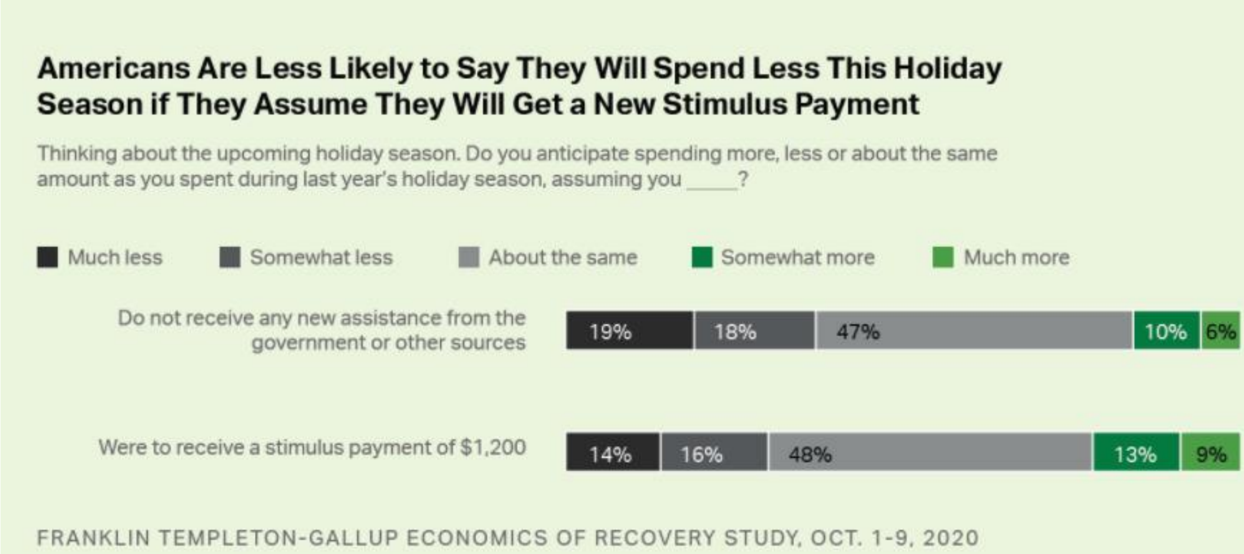
Tuesday, Small Business Economic Trends: "The Optimism Index remained at 104.0 in October, unchanged from September and a historically high reading. Four of the 10 Index components improved, five declined, and one was unchanged. The NFIB Uncertainty Index increased 6 points in October to 98, the highest reading since November 2016 driven by the elections and uncertain conditions in future months due to the ongoing COVID-19 pandemic."

Investor's Business Daily

Tuesday, Economic Optimism Index: "Americans have turned modestly pessimistic over the near-term outlook for the U.S. economy, amid surging coronavirus cases and a lapse in fiscal stimulus, the November IBD/TIPP Poll finds. The six-month economic outlook index retreated to 47, after registering optimism in October for the first month since February. Readings below 50 reflect pessimism."

Gallup

Thursday, Holiday Spending: "The strength of the holiday sales season could be aided by a new round of federal stimulus checks before the end of the year. Specifically, Americans are more likely to say they will spend less (37%) rather than more (16%) this holiday season than last year when asked to assume there will be no additional government stimulus payment. However, the proportion planning to spend less drops to 30% when people are asked to assume they will receive a $1,200 stimulus payment, with 22% saying they will spend more under this condition."



IHS Markit

Tuesday, Business Outlook: The "survey signaled that optimism among U.S. private sector firms regarding future business activity improved in October amid hopes of an end to the coronavirus disease 2019 (COVID-19) pandemic. . . . Where companies expected output to rise over the coming year, this was attributed to hopes of an end to the COVID-19 pandemic and the release of pent-up demand."

University of Michigan

Friday, Consumer Sentiment: "Consumer sentiment fell in early November as consumers judged future economic prospects less favorably, while their assessments of current economic conditions remained largely unchanged. The outcome of the presidential election as well as the resurgence in COVID infections and deaths were responsible for the early November decline."

Mortgages and Housing Markets:

Fannie Mae

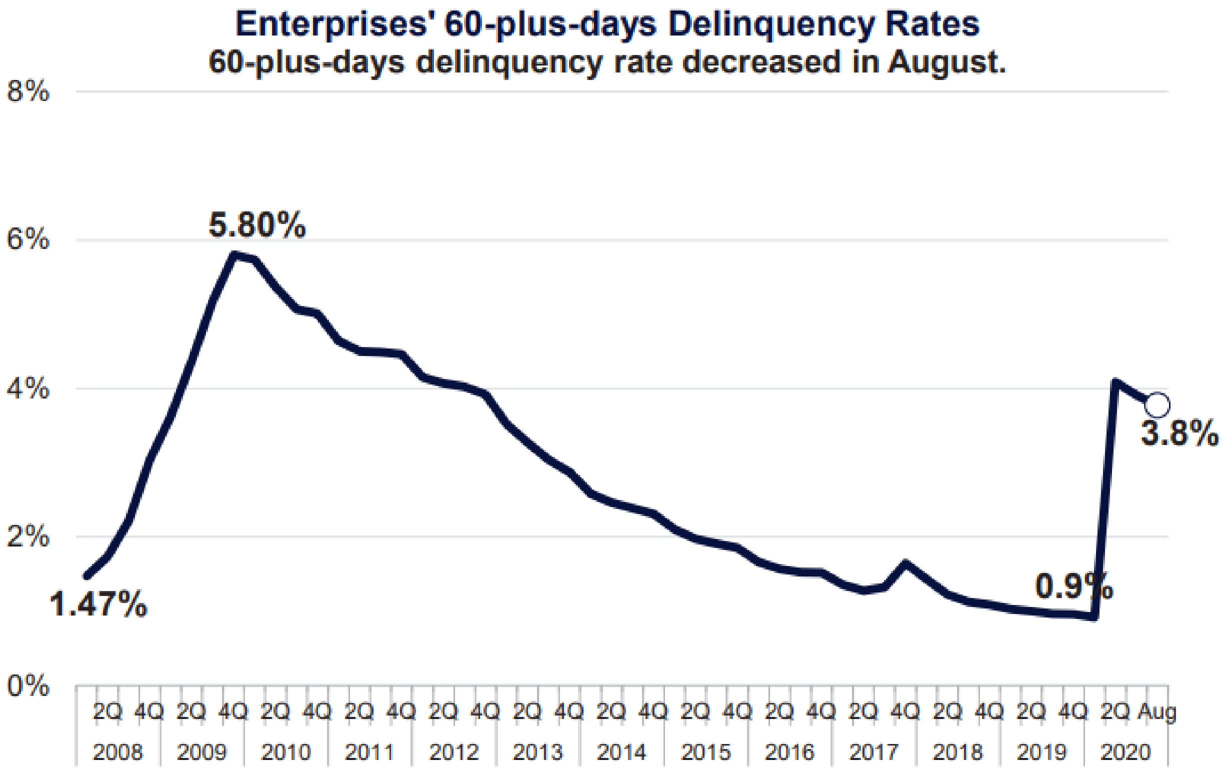
Monday, Home Purchase Sentiment Index: The index "ticked up 0.7 points in October to 81.7, rising for the third consecutive month." According to Doug Duncan, senior vice president and chief economist at Fannie Mae, "to date, the HPSI has recovered over 60 percent of its COVID-19 pandemic loss, reflecting the bright spot that the mortgage market has been in the economy. However, the continuing evolution of the pandemic and the 2020 election outcomes may have longer lasting and unexpected impacts on consumer sentiment, as we saw following the 2016 elections, and we expect both factors will shape the housing market over the coming months."

Mortgage Bankers Association

Wednesday, Mortgage Applications: "Mortgage applications decreased 0.5 percent from one week earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($510,400 or less) decreased to a survey low of 2.98 percent from 3.01 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages remained unchanged at 2.55 percent."

Federal Housing Finance Administration

Thursday, Foreclosures: 60-plus-days delinquency rates decreased from 3.9% in July 2020 to 3.8% in August 2020.



Source: FHFA (Fannie Mae and Freddie Mac)