

Economic Update, February 12, 2021  
Submitted by Michael Mount

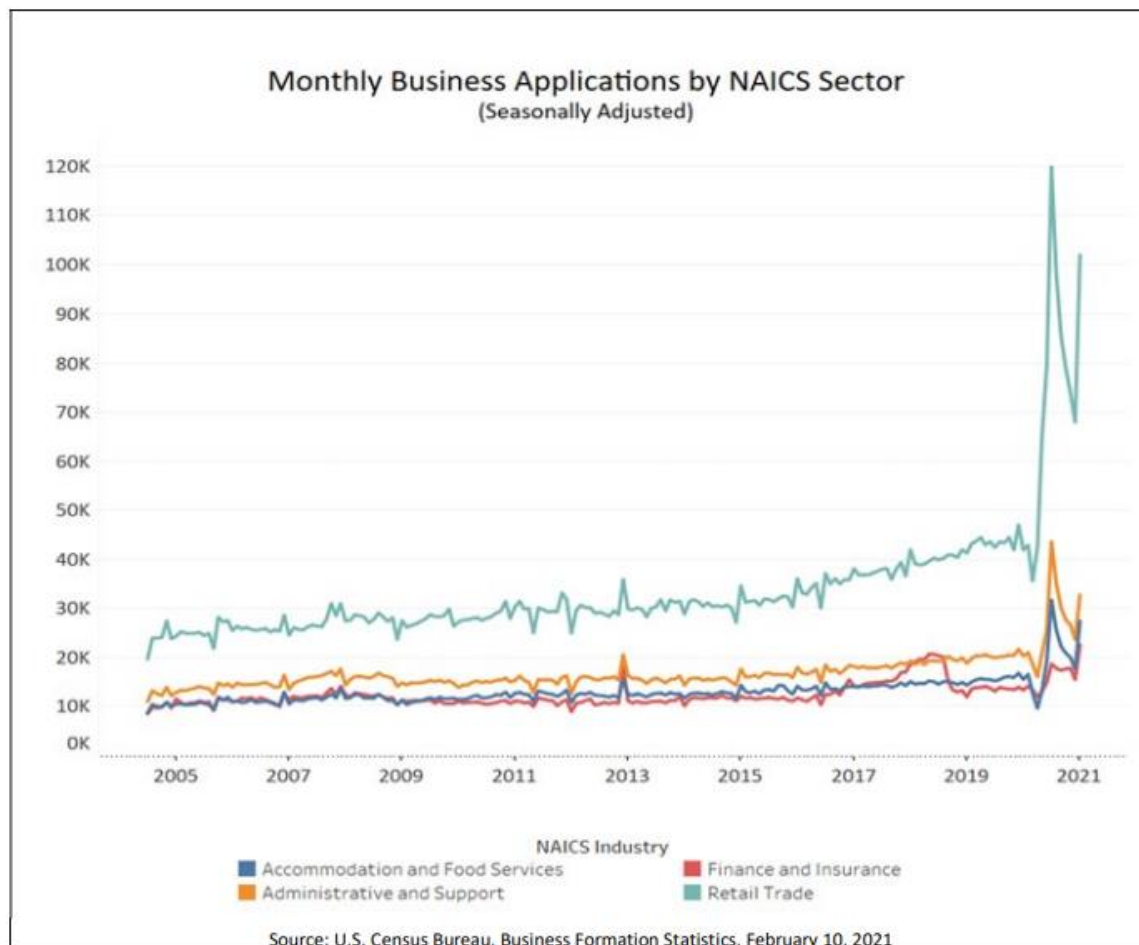
Summary: The news this week was good for the economy overall. Economists surveyed by the Wall Street Journal expect real GDP growth of 4.9 percent in 2021, an increase from their forecast of 4.3 percent in January. Their estimates of the probability of another recession in the next 12 months decreased. Although household spending growth expectations rose, small business optimism decreased, and households with incomes in the bottom third reported significant setbacks in their current finances. Business applications increased sharply, which is unusual during recessions.

**Federal Government Indicators and Reports**

US Census

Wednesday, [Wholesale Trade](#): “December 2020 sales of merchant wholesalers . . . were \$503.8 billion, up 1.2 percent from the revised November level and were up 1.7 percent from the revised December 2019 level. . . . Total inventories of merchant wholesalers . . . were \$651.5 billion at the end of December, up 0.3 percent from the revised November level . . . [and] down 1.6 percent from the revised December 2019 level.”

Wednesday, [Business Formation](#): “Business Applications for January of 2021 . . . were 492,133, an increase of 42.6 percent compared to December of 2020. Projected Business Formations (within 4 quarters) for January of 2021 . . . were 35,769, an increase of 42.9 percent compared to December of 2020.”



Bureau of Labor Statistics

Tuesday, [Job Openings and Labor Turnover](#): “The number of job openings was little changed at 6.6 million on the last business day of December. . . . Hires decreased to 5.5 million while total separations were little changed at 5.5 million.”

Wednesday, [Real Earnings](#): “Real average hourly earnings for all employees were unchanged from December to January. . . . This result stems from an increase of 0.2 percent in average hourly earnings being offset by an increase of 0.3 percent in the Consumer Price Index for All Urban Consumers (CPI-U).”

Wednesday, [Consumer Price Index](#): “The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in January on a seasonally adjusted basis. . . . Over the last 12 months, the all items index increased 1.4 percent before seasonal adjustment.”

Department of Labor

Thursday, [Initial Claims](#): “In the week ending February 6, the advance figure for seasonally adjusted initial claims was 793,000, a decrease of 19,000 from the previous week’s revised level. . . . The 4-week moving average was 823,000, a decrease of 33,500 from the previous week’s revised average.”

### **Economic Indicators and Confidence**

Federal Reserve

Monday, [Consumer Expectations](#): “Households’ year-ahead spending growth expectations rose to 4.2%, the highest level recorded in more than 5 years. In contrast, earnings growth expectations have remained flat for the sixth consecutive month. Labor market expectations continued to improve with higher expectations about job security and job finding.”

NFIB

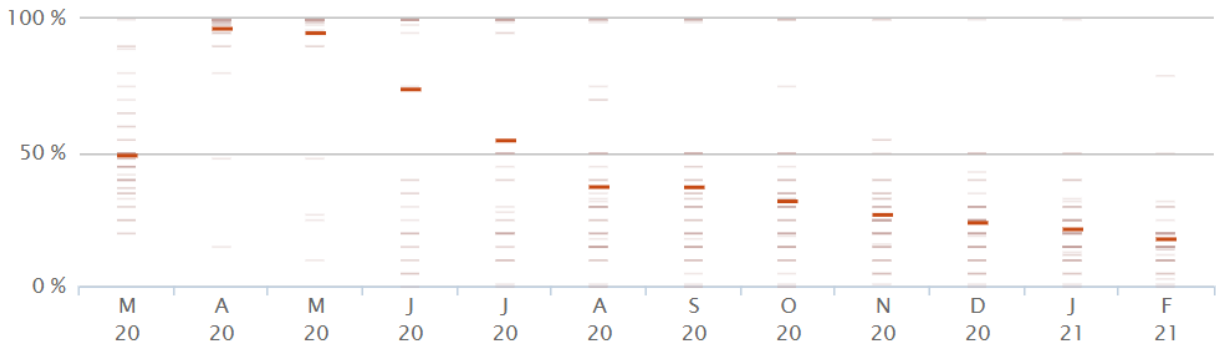
Tuesday, [Small Business Optimism](#): The index “declined to 95.0 in January, down 0.9 points from December and 3 points below the 47-year average. . . . Owners expecting better business conditions over the next six months declined 7 points to a net negative 23 percent, the lowest level since November 2013. The net percent of owners expecting better business conditions has fallen 55 points over the past four months.”

Wall Street Journal

Thursday, [Economic Forecasts](#): “Economists on average expected gross domestic product to expand nearly 4.9% this year, measured from the fourth quarter of the prior year, according to the business and academic economists surveyed in February, an improvement from their 4.3% forecast in January. They cited the distribution of Covid-19 vaccinations and the prospect of additional fiscal relief from Washington for the brightening outlook.” Forecasters increased their projections of inflation to 2.8% for June 2021, and the average estimate of recession probability for the next 12 months continued to decrease (17.5% in February down from 21.2% in January).

# Recession Probability

Actual 
  Estimates 
 5 yr.
3 yr.
1 yr.



University of Michigan

Friday, [Consumer Sentiment](#): “Consumer sentiment edged downward in early February, with the entire loss concentrated in the Expectation Index and among households with incomes below \$75,000. Households with incomes in the bottom third reported significant setbacks in their current finances, with fewer of these households mentioning recent income gains than anytime since 2014.”

**Mortgages and Housing Markets**

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 4.1 percent from one week earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$548,250 or less) increased to 2.96 percent from 2.92 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages increased to 2.50 percent from 2.44 percent.”