Economic Update, February 26, 2021
Submitted by Kevin Vanzant

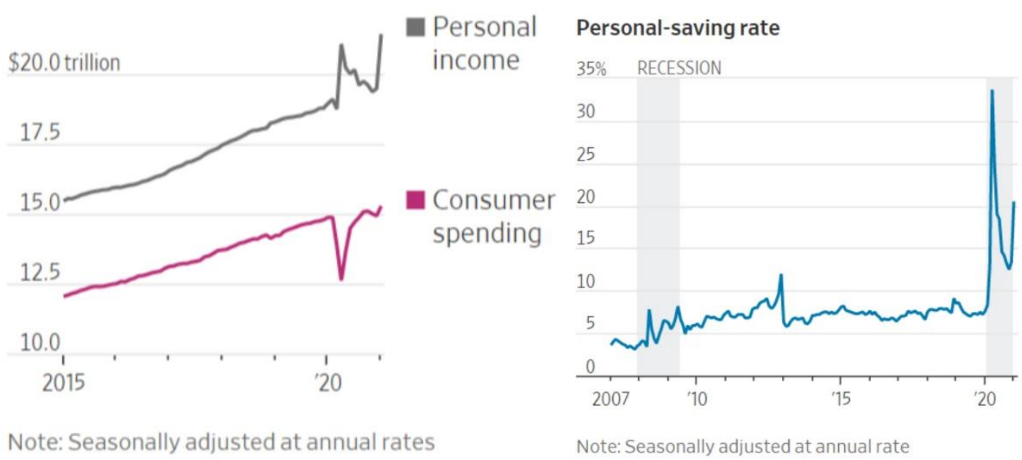
Summary:

There was plenty of good news this week, alongside continuing concerns about unemployment levels. Personal income jumped by 10 percent in January, [largely powered by the federal pandemic relief checks](), according to the Wall Street Journal. Consumer spending and the personal saving rate were both up as well. New orders for durable goods increased as did leading US economic indicators, both beating expectations. Initial claims for unemployment were down 111,000 from the week prior, even as storms disrupted business in parts of the country. Despite the decline, the total—the lowest since Nov. 28, 2020—was still above pre-pandemic levels. In his testimony to the Senate Banking Committee this week, Federal Reserve Chairman Jerome Powell emphasized the still recovering labor market over concerns about rising inflation and reaffirmed the central bank's commitment to maintaining easy-money policies until the economy has recovered further from the effects of the pandemic.

<u>Federal Government Indicators and Reports</u>

US Bureau of Economic Analysis

Friday, <u>Personal Income and Spending</u>: "Personal income increased $1,954.7 billion (10.0 percent) in January. . . . Disposable personal income (DPI) increased $1,963.2 billion (11.4 percent) and personal consumption expenditures (PCE) increased $340.9 billion (2.4 percent). . . . Personal outlays increased $348.7 billion in January. Personal saving was $3.93 trillion in January and the personal saving rate—personal saving as a percentage of disposable personal income— was 20.5 percent."



Source: <u>Wall Street Journal</u>

US Census

Thursday, <u>US Durable Goods Orders</u>: "New orders for manufactured durable goods in January increased $8.5 billion or 3.4 percent to $256.6 billion. . . . This increase, up nine consecutive months, followed a 1.2 percent December increase. Excluding transportation, new orders increased 1.4 percent. Excluding defense, new orders increased 2.3 percent."

Federal Reserve

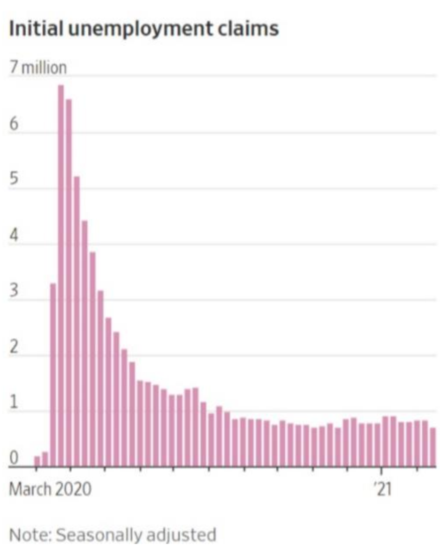
Tuesday, Jerome Powell - Semiannual Monetary Policy Report to Congress: "Household spending on services remains low, especially in sectors that typically require people to gather closely, including leisure and hospitality. In contrast, household spending on goods picked up encouragingly in January after moderating late last year. The housing sector has more than fully recovered from the downturn, while business investment and manufacturing production have also picked up. . . . As with overall economic activity, the pace of improvement in the labor market has slowed. Over the three months ending in January, employment rose at an average monthly rate of only 29,000. . . . The pandemic has also left a significant imprint on inflation. . . . Overall, on a 12-month basis, inflation remains below our 2 percent longer-run objective. . . . While we should not underestimate the challenges we currently face, developments point to an improved outlook [for the overall economy] for later this year."

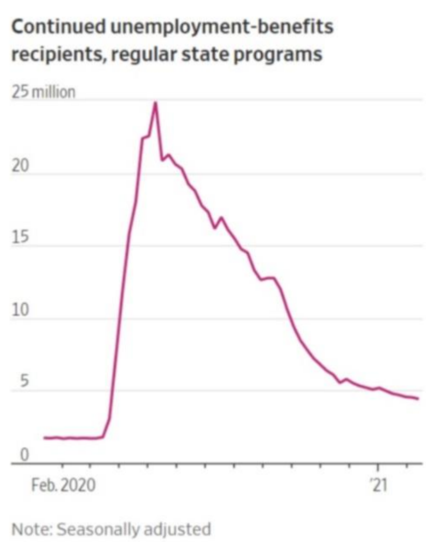
Federal Reserve Bank of Chicago

Monday, National Activity Index: "Index suggests economic growth increased in January. Led by improvements in personal consumption-related indicators, the Chicago Fed National Activity Index increased to +0.66 in January from +0.41 in December. All four broad categories of indicators used to construct the index [production and income; employment, unemployment, and hours; personal consumption and housing; and sales, orders, and inventories] made positive contributions in January, but three categories decreased from December." Positive values for the index are associated with above-average economic growth.

Department of Labor

Thursday, Initial Jobless Claims and Insured Unemployment: "The advance figure for seasonally adjusted initial claims was 730,000, a decrease of 111,000 from the previous week's revised level. . . . The 4-week moving average was 807,750, a decrease of 20,500 from the previous week's revised average."





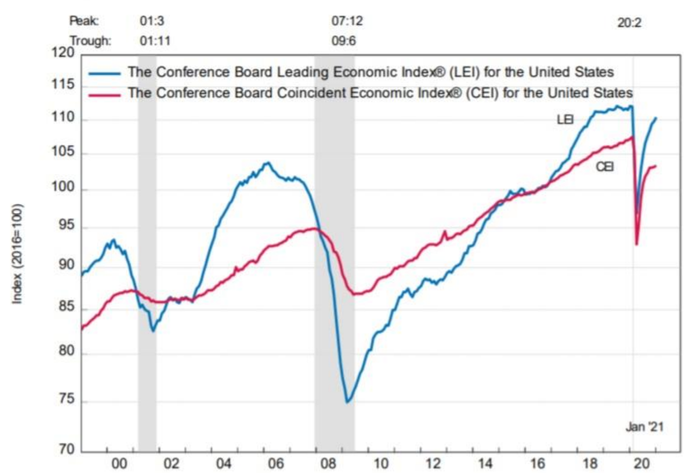
Source: Wall Street Journal

Economic Indicators and Confidence

The Conference Board

Monday, Leading Economic Index: "The [LEI] for the U.S. increased 0.5 percent in January to 110.3 (2016 = 100), following a 0.4 percent increase in December and a 0.9 percent increase in November. 'While the pace of increase in the U.S. LEI has slowed since mid-2020, January's gains were broad-based and suggest economic growth should improve gradually over the first half of 2021,' said Ataman Ozyildirim, Senior Director of Economic Research at The Conference Board. 'As the vaccination campaign against COVID-19 accelerates, labor markets and overall growth are likely to continue improving through the rest of this year as well. The Conference Board now expects the U.S. economy to expand by 4.4 percent in 2021, after a 3.5 percent contraction in 2020.'"

The Conference Board Leading Economic Index® (LEI) for the U.S. Increased in January



Wednesday, Consumer Confidence Index: "The Conference Board Consumer Confidence Index improved again in February, after increasing in January. The Index now stands at 91.3 (1985=100), up from 88.9 in January. The Present Situation Index—based on consumers' assessment of current business and labor market conditions—climbed from 85.5 to 92.0. However, the Expectations Index—based on consumers' short-term outlook for income, business, and labor market conditions—fell marginally, from 91.2 last month to 90.8 in February. . . . 'After three months of consecutive declines in the Present Situation Index, consumers' assessment of current conditions improved in February,' said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. 'This course reversal suggests economic growth has not slowed further. . . . Consumers remain cautiously optimistic, on the whole, about the outlook for the coming months. Notably, vacation intentions—particularly, plans to travel outside the U.S. and via air—saw an uptick this month, and are poised to improve further as vaccination efforts expand."

Mortgages and Housing Markets

US Census

Wednesday, New Residential Sales: "Sales of new single-family houses in January 2021 were at a seasonally adjusted annual rate of 923,000. . . . This is 4.3 percent above the revised December rate of 885,000 and is 19.3 percent above the January 2020 estimate of 774,000."

S&P Dow Jones Indices

Tuesday, CoreLogic Case-Shiller National Home Price Index: "Data released . . . for December 2020 show that home prices continue to increase across the U.S. . . . The [index], covering all nine U.S. census divisions, reported a 10.4% annual gain in December, up from 9.5% in the previous month." According to Craig J. Lazzara, Managing Director and Global Head of Index Investment Strategy at S&P DJI, "As COVID-related restrictions began to grip the economy in early 2020, their effect on housing prices was unclear. Price growth decelerated in May and June, and then began a steady climb upward, and December's report continues that acceleration in an emphatic manner. 2020's 10.4% gain marks the best performance of housing prices in a calendar year since 2013."

Federal Housing Finance Agency

Tuesday, United States House Price Index: "U.S. house prices rose 10.8 percent from the fourth quarter of 2019 to the fourth quarter of 2020. . . . House prices were up 3.8 percent compared to the third quarter of 2020. FHFA's seasonally adjusted monthly index for December was up 1.1 percent from November. 'House prices nationwide recorded the largest annual and quarterly increase in the history of the FHFA HPI,' said Dr. Lynn Fisher, Deputy Director of FHFA's Division of Research and Statistics. 'Low mortgage rates, pent up demand from homebuyers, and a limited housing supply propelled every region of the country to experience faster growth in 2020 compared to a year ago despite the pandemic.'"

Mortgage Bankers' Association

Wednesday, Weekly Mortgage Applications Survey: "Mortgage applications decreased 11.4 percent from one week earlier. . . . 'Mortgage rates have increased in six of the last eight weeks, with the benchmark 30-year fixed rate last week climbing above 3 percent to its highest level since September 2020. As a result of these higher rates, overall refinance activity fell 11 percent to its lowest level since December 2020, but remained 50 percent higher than a year ago,' said Joel Kan, MBA's

Associate Vice President of Economic and Industry Forecasting." But Kan also adds that "the housing market in most of the country remains strong, with activity last week 7 percent higher than a year ago."

National Association of Realtors

Thursday, Pending Home Sales Index (PHSI): The index, a forward-looking indicator of home sales, decreased 2.8 percent in January but was up 13 percent from a year ago. "Pending home sales fell in January because there are simply not enough homes to match the demand on the market," said Lawrence Yun, NAR's chief economist. "That said, there has been an increase in permits and requests to build new homes . . . a good sign that the supply and demand imbalance in the residential real estate market could be easing, as soon as mid-2021."