

Economic Update, February 4, 2022

Submitted by Bob Moreo

Summary: 2021 came to an end with unemployment below 4 percent and nearly 11 million job openings available according to the U.S. Bureau of Labor Statistics. Census Bureau data showed construction spending, led by residential building, ended the year on a high note and was much improved over 2020. Manufacturers' inventories and shipments continued to rise in December, but new orders fell "slightly more than expected" [according to Reuters](#). The news service noted, "orders for non-defense capital goods, excluding aircraft, which are seen as a measure of business spending plans on equipment, rose 0.3 percent in December." Initial weekly unemployment claims decreased each of the last two weeks [following a slight mid-January spike](#). PMI reports from IHS Markit and ISM showed U.S. and global business activity continued to grow in January but at a slower pace than in December. Mortgage rates—and home prices—ended January higher. "The average purchase loan size hit a new survey high once again at \$441,100," according to the [Mortgage Bankers Association's Joel Kan](#).

The week included two very different jobs reports. On Wednesday, ADP reported "private sector employment decreased by 301,000 jobs from December to January," while on Friday the government's report said, "total nonfarm payroll employment rose by 467,000." Differences between the two are common, as [Bloomberg explained in October 2021](#). At the time, ADP Chief Economist Nela Richardson told reporters, "this is a really tumultuous labor market," and that, "it's very hard to distinguish permanent layoffs from temporary layoffs," often leading to later revisions in the numbers reported.

Federal Government Indicators and Reports:

Bureau of Labor Statistics

Tuesday, [Job Openings and Labor Turnover Survey](#): "The number of job openings was little changed at 10.9 million on the last business day of December. . . . Hires and total separations decreased to 6.3 million and 5.9 million, respectively. Within separations, the quits rate was little changed at 2.9 percent. The layoffs and discharges rate was little changed at 0.8 percent, a series low. . . . Over the 12 months ending in December 2021, hires totaled 75.3 million and separations totaled 68.9 million, yielding a net employment gain of 6.4 million."

Wednesday, [Metropolitan Area Employment and Unemployment](#): "Unemployment rates were lower in December than a year earlier in 375 of the 389 metropolitan areas, higher in 13 areas, and unchanged in 1 area. . . . Nonfarm payroll employment increased over the year in 108 metropolitan areas and was essentially unchanged in 281 areas. The national unemployment rate in December was 3.7 percent, not seasonally adjusted, down from 6.5 percent a year earlier."

Unemployment rates were lower in December than a year earlier in all 10 of Tennessee's metropolitan areas, with December 2021 rates ranging from a low of 2.7 percent in the Nashville-Davidson, Murfreesboro, and Franklin area to a high of 4.1 percent in the Memphis area. Nonfarm payroll employment increased over the year in all ten areas, ranging from a 1.0 percent gain in Johnson City to a 5.3 percent gain in Cleveland.

Thursday, [Productivity and Costs](#) (Fourth Quarter and Annual Averages 2021, Preliminary): "Nonfarm business sector labor productivity increased 6.6 percent in the fourth quarter of 2021, . . . as output increased 9.2 percent and hours worked increased 2.4 percent. . . . Annual average productivity increased 1.9 percent from 2020 to 2021."

“Unit labor costs in the nonfarm business sector increased 0.3 percent in the fourth quarter of 2021, reflecting a 6.9 percent increase in hourly compensation and a 6.6 percent increase in productivity. Unit labor costs increased 3.1 percent over the last four quarters. . . . The nonfarm business labor productivity index is 4.5 percent higher in the fourth quarter of 2021 than it was in the fourth quarter of 2019, corresponding to an annual growth rate of 2.2 percent during the pandemic so far.”

Friday, [Employment Situation](#): “Total nonfarm payroll employment rose by 467,000 in January, and the unemployment rate was little changed at 4.0 percent. . . . Employment growth continued in leisure and hospitality, in professional and business services, in retail trade, and in transportation and warehousing. . . . The number of unemployed persons, at 6.5 million, changed little in January. . . . The number of persons employed part-time for economic reasons, at 3.7 million, continued to trend down. . . . The number of persons not in the labor force who currently want a job was little changed at 5.7 million in January. This measure decreased by 1.3 million over the year but is 708,000 higher than in February 2020. . . . In January, 6.0 million persons reported that they had been unable to work because their employer closed or lost business due to the pandemic. . . . This measure is considerably higher than the level of 3.1 million in December. . . . Average hourly earnings of private-sector production and nonsupervisory employees rose by 17 cents to \$26.92.”

Bureau of Transportation Statistics

Monday, [U.S. Airline Cargo](#): “U.S. airlines carried 0.2 percent less cargo by weight in November 2021 (preliminary) than in November 2020. The decrease comprises a gain of 0.3 percent in domestic cargo and a loss of 1.8 percent in international cargo. . . . Overall air cargo remains up 12.7 percent over pre-pandemic November 2019.”

Census Bureau

Tuesday, [Monthly Construction Spending](#): “Construction spending during December 2021 was estimated at a seasonally adjusted annual rate of \$1,639.9 billion, 0.2 percent above the revised November estimate . . . [and] 9.0 percent above the December 2020 estimate of \$1,504.2 billion. The value of construction in 2021 was \$1,589.0 billion, 8.2 percent above the \$1,469.2 billion spent in 2020.

“[Private] residential construction was at a [seasonally adjusted annual rate of \$810.3 billion in December, 1.1 percent above the revised November estimate. . . . Residential construction in 2021 was \$774.9 billion, 23.2 percent above the 2020 figure of \$628.9 billion and [private] nonresidential construction was \$467.9 billion, 2.3 percent below the \$479.0 billion in 2020. . . . The value of public construction in 2021 was \$346.2 billion, 4.2 percent below the \$361.2 billion spent in 2020.”

Wednesday, [Quarterly Housing Vacancies and Homeownership](#): “National vacancy rates in the fourth quarter 2021 were 5.6 percent for rental housing and 0.9 percent for homeowner housing. The rental vacancy rate was 0.9 percentage points lower than the rate in the fourth quarter 2020. . . . The homeowner vacancy rate of 0.9 percent was 0.1 percentage points lower than the rate in the fourth quarter 2020. . . . The homeownership rate of 65.5 percent was not statistically different from the rate in the fourth quarter 2020 (65.8 percent).”

Thursday, [Manufacturers’ Shipments, Inventories, and Orders](#): “New orders for manufactured goods in December, down following seven consecutive monthly increases, decreased \$2.4 billion or 0.4 percent to \$530.7 billion. . . . Shipments, up nineteen of the last twenty months, increased \$2.1 billion or 0.4 percent to \$528.9 billion. . . . Inventories, up eighteen of the last nineteen months, increased \$2.2 billion or 0.3 percent to \$773.0 billion.” The decrease in new orders was driven by a \$3.1 billion

decrease for transportation equipment, \$2.0 billion of which was a decrease in orders for nondefense aircraft and parts.

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending January 29, the advance figure for seasonally adjusted initial claims was 238,000, a decrease of 23,000 from the previous week's revised level. . . . The 4-week moving average was 255,000, an increase of 7,750 from the previous week's revised average. . . . The advance seasonally adjusted insured unemployment rate was 1.2 percent for the week ending January 22, unchanged from the previous week's unrevised rate.”

Economic Indicators and Confidence:

IHS Markit

Thursday, [IHS Markit U.S. Sector Purchasing Managers' Index](#): “January data indicated a rise in business activity across five out of seven broad categories. . . . The latest survey pointed to renewed declines in business activity in the Consumer Services (47.9) and Technology (48.5) sectors.”

Thursday, [IHS Markit U.S. Services and Composite PMI](#): “The seasonally adjusted final IHS Markit U.S. Services PMI Business Activity Index registered 51.2 at the start of the year, down notably from 57.6 in December, but up slightly on the earlier released 'flash' figure of 50.9. . . . Business confidence regarding the outlook for output remained strongly upbeat in January. Although the level of sentiment slipped from December, it was the second-highest since June 2021.

“The IHS Markit U.S. Composite PMI Output Index posted 51.1 in January, down notably from 57.0 in December. The upturn was the slowest since July 2020 as manufacturers and service providers registered a considerable slowdown in growth momentum.”

Thursday, [J.P.Morgan Global Composite PMI](#): “The start of 2022 saw the rate of global economic expansion slow sharply to a one-and-a-half year low. At 51.4 in January, down from 54.3 in December, the J.P.Morgan Global Composite Output Index . . . remained in growth territory for the nineteenth month in a row.”

Employment and Businesses:

ADP

Wednesday, [National Employment Report](#): “Private sector employment decreased by 301,000 jobs from December to January according to the January ADP National Employment Report.” ADP reported a decrease of 154,000 leisure/hospitality jobs in January, part of a 274,000-job decrease for the service sector.

Challenger, Gray, & Christmas

Thursday, [Job Cuts Report](#): “U.S.-based employers announced virtually the same number of job cuts in January as in December with 19,064, up .063 percent from the 19,052 announced one month prior. It is 76 percent lower than the 79,552 cuts announced in the same month in 2021. . . . Of cuts announced in January, 5,757 cuts were due to companies shedding workers who refused to get vaccinated against COVID-19.”

Institute for Supply Management

Tuesday, [Manufacturing PMI](#): “The January Manufacturing PMI registered 57.6 percent, a decrease of 1.2 percentage points from the seasonally adjusted December reading of 58.8 percent. This

figure indicates expansion in the overall economy for the 20th month in a row after a contraction in April and May 2020.”

Thursday, [Services PMI](#): “In January, the Services PMI registered 59.9 percent, 2.4 percentage points below December’s seasonally adjusted reading of 62.3 percent. The Business Activity Index registered 59.9 percent, a decrease of 8.4 percentage points compared to the seasonally adjusted reading of 68.3 percent in December, and the New Orders Index registered 61.7 percent, 0.4 percentage point lower than the seasonally adjusted reading of 62.1 percent reported in December.”

Paychex | IHS Markit

Tuesday, [Small Business Employment Watch](#): “January data shows the Small Business Jobs Index, which measures the year-over-year rate of employment growth, gained 0.39 percent in January. At 101.33, the national index has increased 7.80 percent over the past year, surpassing its 2014 peak. At 4.43 percent year-over-year, hourly earnings growth maintained its record high set last month.”

S&P Dow Jones

Thursday, [S&P 500 LinkUp Jobs Index](#): “Open job listings at S&P 500 companies . . . increased year-to-date by 1.8 percent through January 24, 2022. . . . Utilities, Financials and Energy companies have added the most open job listings so far in 2022.”

Mortgages and Housing Markets:

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “30-year fixed-rate mortgage[s] averaged 3.55 percent with an average 0.8 point for the week ending February 3, 2022, unchanged from last week. A year ago at this time, the 30-year FRM averaged 2.73 percent.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications Survey](#): “Mortgage applications increased 12.0 percent from one week earlier, according to data . . . for the week ending January 28, 2022. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$647,200 or less) increased to 3.78 percent from 3.72 percent.”