

Economic Update, March 4, 2022
Submitted by Kevin Vanzant

Summary: Nonfarm payrolls grew in February by 678,000, the biggest monthly gain since July, and the unemployment rate for the month was 3.8 percent as the national employment picture got closer to its pre-pandemic self. According to [Eric Merlis](#), the managing director of global markets at Citizens Financial Group, “the labor market recovery remains very robust across the board as more Americans are returning to work. Geopolitical issues and inflation pose ongoing threats to the U.S. economic recovery, but pandemic restrictions are being lifted and we continue to see strong job growth.” Construction spending in January increased 1.3 percent, boosted by strong outlays on single-family homebuilding and private nonresidential structures. And with a Purchasing Managers’ Index of 58.6 (a reading of 50 or higher indicates growth), manufacturing output in February was strong as well, according to the Institute for Supply Management. The U.S. trade deficit in goods did widen sharply in January however, reaching a record high as businesses continued to replenish depleted inventories. And initial claims for unemployment insurance last week totaled 215,000, the lowest tally since the beginning of the year.

Federal Government Indicators and Reports:

Bureau of Labor Statistics

Thursday, [Productivity and Costs](#): “Nonfarm business sector labor productivity increased 6.6 percent in the fourth quarter of 2021 . . . as output increased 9.1 percent and hours worked increased 2.4 percent. From the fourth quarter of 2020 to the fourth quarter of 2021, nonfarm business sector labor productivity increased 1.9 percent. . . . Unit labor costs in the nonfarm business sector increased 0.9 percent in the fourth quarter of 2021, reflecting a 7.5-percent increase in hourly compensation and a 6.6-percent increase in productivity. Unit labor costs increased 3.5 percent over the last four quarters.”

Friday, [Jobs Report](#): “Total nonfarm payroll employment rose by 678,000 in February, and the unemployment rate edged down to 3.8 percent. . . . Job growth was widespread, led by gains in leisure and hospitality, professional and business services, health care, and construction. . . . In February, the unemployment rate edged down to 3.8 percent, and the number of unemployed persons edged down to 6.3 million. In February 2020, prior to the coronavirus (COVID-19) pandemic, the unemployment rate was 3.5 percent, and the number of unemployed persons was 5.7 million.”

Chart 1. Unemployment rate, seasonally adjusted, February 2020 – February 2022

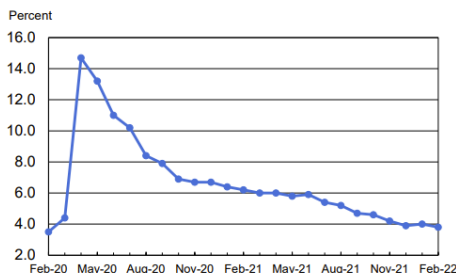
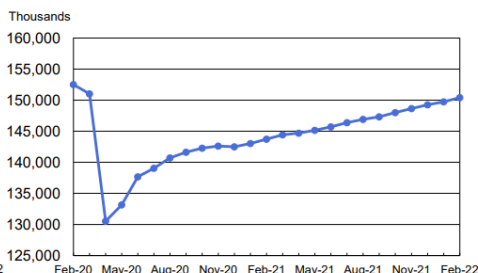





Chart 2. Nonfarm payroll employment, seasonally adjusted, February 2020 – February 2022



Department of Commerce

Tuesday, [Advance International Trade](#): “The international trade deficit was \$107.6 billion in January, up \$7.2 billion from \$100.5 billion in December. Exports of goods for January were \$154.8

billion, \$2.8 billion less than December exports. Imports of goods for January were \$262.5 billion, \$4.4 billion more than December imports. . . . Wholesale inventories for January . . . were estimated at an end-of-month level of \$798.2 billion, up 0.8 percent from December 2021, and were up 17.8 percent from January 2021. . . . Retail inventories for January . . . were estimated at an end-of-month level of \$658.1 billion, up 1.9 percent from December 2021, and were up 6.0 percent from January 2021.”

	 ADVANCE INTERNATIONAL TRADE: GOODS DEFICIT	 ADVANCE WHOLESALE INVENTORIES	 ADVANCE RETAIL INVENTORIES
JANUARY 2022	\$107.6 Billion +7.1%*	\$798.2 Billion +0.8%	\$658.1 Billion +1.9%
DECEMBER 2021	\$100.5 Billion	\$791.7 Billion (R)	\$645.8 Billion (R)

Wednesday, [Construction Spending](#): “Construction spending during January 2022 was estimated at a seasonally adjusted annual rate of \$1,677.2 billion, 1.3 percent above the revised December estimate of \$1,655.8 billion. . . . Spending on private construction was at a seasonally adjusted annual rate of \$1,326.5 billion, 1.5 percent above the revised December estimate of \$1,307.1 billion. . . . In January, the estimated seasonally adjusted annual rate of public construction spending was \$350.7 billion, 0.6 percent above the revised December estimate of \$348.7 billion.”

Department of Labor

Thursday, [Jobless Claims](#): “In the week ending February 26, the advance figure for seasonally adjusted initial claims was 215,000, a decrease of 18,000 from the previous week's revised level. . . . The 4-week moving average was 230,500, a decrease of 6,000 from the previous week's revised average. . . . The advance seasonally adjusted insured unemployment rate was 1.1 percent for the week ending February 19, unchanged from the previous week's unrevised rate. . . . The 4-week moving average was 1,539,500, a decrease of 36,250 from the previous week's revised average. This is the lowest level for this average since April 4, 1970 when it was 1,516,000.”

Economic Indicators and Confidence:

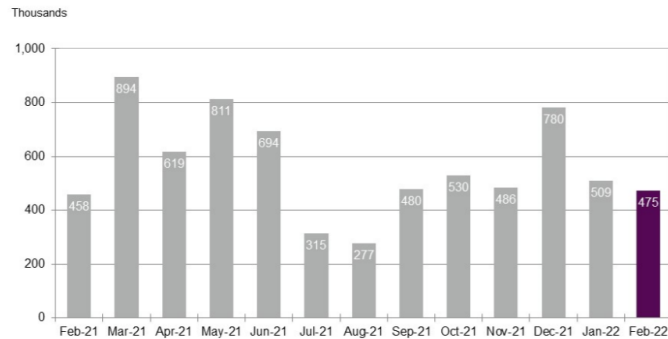
Institute for Supply Management

Tuesday, [Manufacturing PMI](#): “The February Manufacturing PMI registered 58.6 percent, an increase of 1 percentage point from the January reading of 57.6 percent. This figure indicates expansion in the overall economy for the 21st month in a row after a contraction in April and May 2020.” Timothy R. Fiore, chair of the Institute for Supply Management, said that “the U.S. manufacturing sector remains in a demand-driven, supply chain-constrained environment. The COVID-19 omicron variant remained an impact in February; however, there were signs of relief, with recovery expected in March. A higher-than-normal quits rate and early retirements continued. Panel sentiment remained strongly optimistic, with 12 positive growth comments for every cautious comment, up from January’s ratio of 7-to-1.”

ADP

Wednesday, [National Employment Report](#): “Private sector employment increased by 475,000 jobs from January to February.” Nela Richardson, chief economist for ADP, said that ““hiring remains robust but capped by reduced labor supply post-pandemic. Last month large companies showed they are well-poised to compete with higher wages and benefit offerings, and posted the strongest reading since the early days of the pandemic recovery,”” adding that ““small companies lost ground as they continue to struggle to keep pace with the wages and benefits needed to attract a limited pool of qualified workers.””

Chart 1. Change in Total Nonfarm Private Employment



Challenger, Gray, and Christmas, Inc.

Thursday, [Job Cuts](#): “U.S.-based employers announced 15,245 cuts in February, a 20 percent drop from the 19,064 cuts announced in January. Meanwhile, employers in the U.S. announced plans to hire 215,127 workers, the highest February total on record.” Andrew Challenger, senior vice president of Challenger, Gray, and Christmas, Inc. said that ““the latest numbers give more evidence that job creation is strong, and employers continue to hold fast to their workforces. The churn in the labor market is coming from resignations.””

Mortgages and Housing Markets

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 0.7 percent from one week earlier . . . for the week ending February 25, 2022.” Joel Kan, MBA's associate vice president of Economic and Industry Forecasting, said that ““mortgage rates last week reached multi-year highs, putting a damper on applications activity. The 30-year fixed rate reached its highest level since 2019 at 4.15 percent, and the refinance share of applications dipped below 50 percent. . . . Purchase activity remained weak, but the average loan size increased again, which indicates that home-price growth remains strong, and a greater share of the activity is occurring at the higher end of the market.””