

Economic Update, April 1, 2021

Submitted by Kevin Vanzant

Summary: The overall trend in the employment market remains positive, but indicators this week were mixed. Private payrolls in March added 517,000 workers—the highest increase since September 2020—but slightly below [expectations](#). The Small Business Jobs Index also showed a notable rise, up 0.30 percent to 94.25, its most significant one-month gain since 2013. First-time claims for jobless benefits, however, rose to 719,000 nationwide, above last week’s revised 658,000. This week’s employment data precede what will be a carefully watched U.S. jobs report, to be released Friday of this week, which is expected to show significant job growth. In other encouraging signs of an improving U.S. economy, the consumer confidence index jumped to 109.7 in March from 90.4 in February, registering its highest level since the pandemic started a year ago, and two separate measures of U.S. manufacturing activity showed sharp increases. Home-prices rose 11.2 percent to a 15-year high, while pending home sales fell a wider-than-expected 10.6 percent in February—both moves are explained in large part by record low inventory.

Federal Government Indicators and Reports

Department of Labor

Thursday, [Initial Jobless Claims](#): “In the week ending March 27, the advance figure for seasonally adjusted initial claims was 719,000, an increase of 61,000 from the previous week’s revised level. . . . The 4-week moving average was 719,000, a decrease of 10,500 from the previous week’s revised average. This is the lowest level for this average since March 14, 2020 when it was 225,500.” Initial claims in Tennessee for the week ending March 27 were 7,598, an increase of 1,167 from the previous week.

Economic Indicators and Confidence

The Conference Board

Tuesday, [Consumer Confidence and Expectations Index](#): “The Consumer Confidence Index surged in March to its highest reading in a year, after a modest increase in February. The Index now stands at 109.7 (1985=100), up from 90.4 in February. . . . The Expectations Index—based on consumers’ short-term outlook for income, business, and labor market conditions—also improved, from 90.9 last month to 109.6 in March.” According to Lynn Franco, Senior Director of Economic Indicators at The Conference Board, “Consumer Confidence increased to its highest level since the onset of the pandemic in March 2020 . . . an indication that economic growth is likely to strengthen further in the coming months. Consumers’ renewed optimism boosted their purchasing intentions for homes, autos and several big-ticket items. However, concerns of inflation in the short-term rose, most likely due to rising prices at the pump, and may temper spending intentions in the months ahead.”

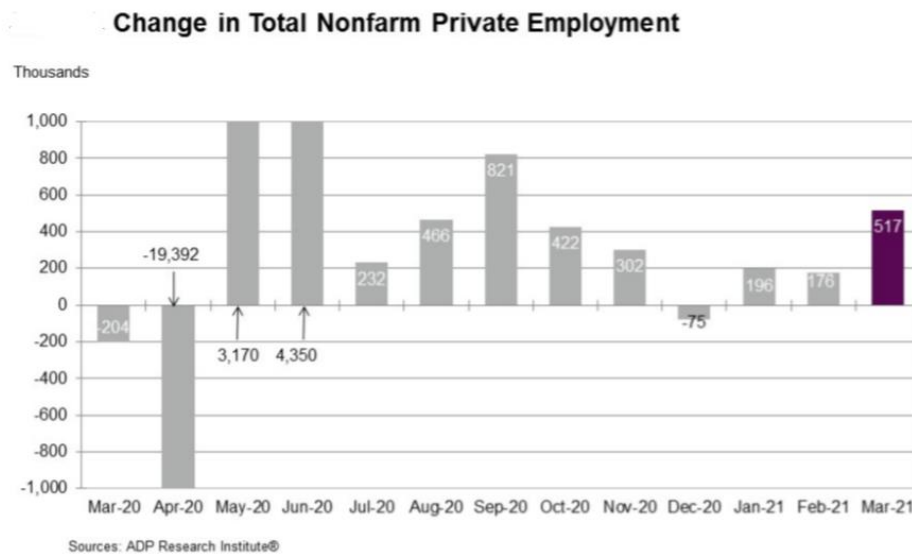
Paychex/IHS Markit

Tuesday, [Small Business Employment Watch](#): “[The] Small Business Employment Watch shows notable increases in jobs growth in March across all four U.S. regions and nearly all states and metros. . . . The Small Business Jobs Index increased to 94.25 in March. While the index remains 4.03 percent

below its March 2020 level, last month’s 0.30 percent increase has been the most significant one-month gain since 2013. Another leading indicator of economic strength, hourly earnings, reached 2.98 percent, its fourth month of growth. Weekly earnings also increased, rising to 3.58 percent, a result of growth in weekly hours worked.”

ADP Research Institute

Wednesday, [National Employment Report – Private Sector](#): “Private sector employment increased by 517,000 jobs from February to March. . . . ‘We saw marked improvement in March’s labor market data, reporting the strongest gain since September 2020,’ said Nela Richardson, chief economist, ADP. ‘Job growth in the service sector significantly outpaced its recent monthly average, led with notable increase by the leisure and hospitality industry. This sector has the most opportunity to improve as the economy continues to gradually reopen and the vaccine is made more widely available. We are continuing to keep a close watch on the hardest hit sectors but the groundwork is being laid for a further boost in the monthly pace of hiring in the months ahead.’”



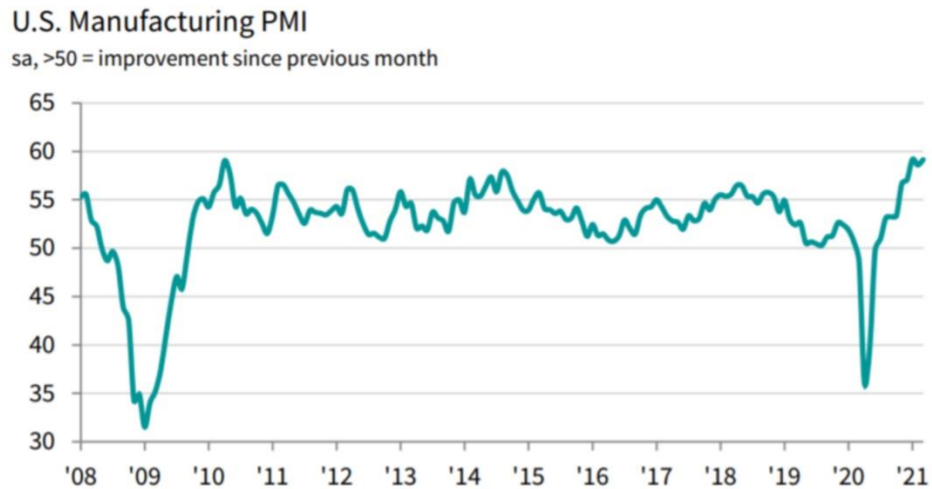
Institute for Supply Management

Thursday, [Manufacturing PMI](#): “Manufacturing grew in March, as the Manufacturing PMI registered 64.7 percent, 3.9 percentage points higher than the February reading of 60.8 percent. This is the highest reading since December 1983 (69.9 percent). . . . A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting.” The release also notes that “the New Orders Index registered 68 percent, up 3.2 percentage points from the February reading of 64.8 percent. . . . The Employment Index registered 59.6 percent, 5.2 percentage points higher than the February reading of 54.4 percent.”

IHS Markit

Thursday, [US Manufacturing PMI](#): “The seasonally adjusted [PMI] posted 59.1 in March, up from 58.6 in February. . . . The latest reading was the second-highest on record and signalled a marked improvement in operating conditions across the U.S. manufacturing sector.” The release further notes that the index reading “indicated the second-strongest improvement in the health of the U.S.

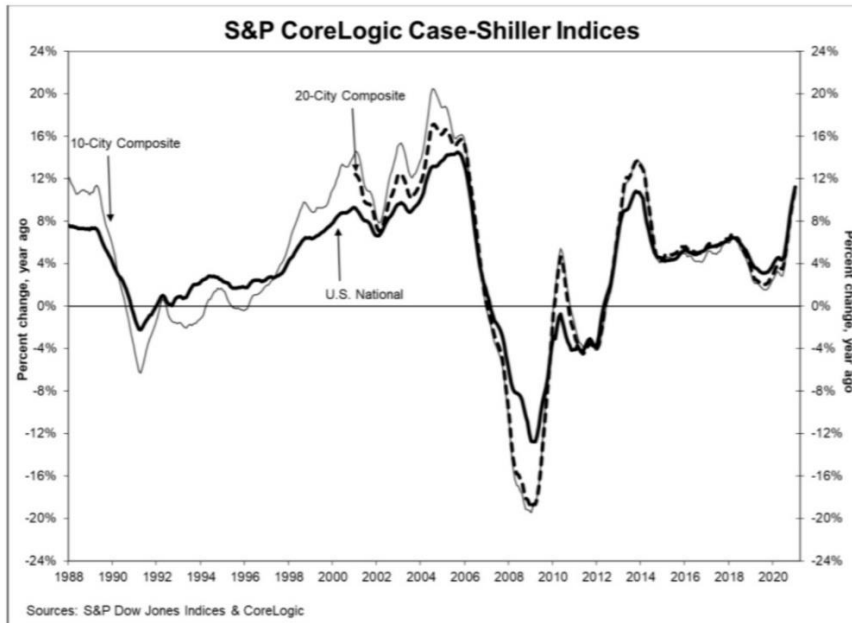
manufacturing sector since data collection began in May 2007. The overall expansion was supported by the steepest rise in new orders since June 2014, although production was reportedly held back by supply shortages. . . . At the same time, inflationary pressures intensified, with cost burdens rising at the quickest rate for a decade. Firms partially passed on higher input costs to clients through the sharpest increase in charges in the survey’s history.”



Mortgages and Housing Markets

S&P Dow Jones Indices

Tuesday, [CoreLogic Case-Shiller Home Price Index](#): The index “reported an 11.2% annual gain in January, up from 10.4% in the previous month.” According to Craig J. Lazzara, Managing Director and Global Head of Index Investment Strategy at S&P DJI, “The strong price gains that we observed in the last half of 2020 continued into the first month of the new year. . . . January’s performance is particularly impressive in historical context. The National Composite’s 11.2% gain is the highest recorded since February 2006, just one month shy of 15 years ago.”



National Association of Realtors

Wednesday, [Pending Home Sales](#): “The Pending Home Sales Index . . . a forward-looking indicator of home sales based on contract signings, dropped 10.6% to 110.3 in February. Year-over-year, contract signings fell 0.5%. An index of 100 is equal to the level of contract activity in 2001. ‘The demand for a home purchase is widespread, multiple offers are prevalent, and days-on-market are swift but contracts are not clicking due to record-low inventory,’ said Lawrence Yun, NAR’s chief economist.”