

Economic Update, May 28, 2021  
Submitted by Bob Moreo

Summary: Heading into the Memorial Day weekend, the U.S. economy is showing signs of strength as restrictions are lifted and Americans get vaccinated, but supply-chain problems and inflation concerns are among the reasons Treasury Secretary Janet Yellen [said on Thursday](#) that the recovery “is going to be a bumpy process.” Meanwhile, Rajiv Biswas, Asia Pacific chief economist at IHS Markit, [reports](#) “many Asian economies with low vaccination rates have experienced substantial increases in daily new Covid-19 cases since March,” and several governments in Asia have reinstated “substantial lockdown measures” that will affect that region’s economic recovery in coming months. Consumer confidence slipped in May; separate surveys from the Conference Board and the University of Michigan each show consumers’ feelings about current conditions are pretty good, but expectations for the months ahead are trending lower. Freddie Mac reported average rates for a 30-year fixed-rate mortgage once again dropped below three percent.

TACIR’s partners at the Business and Economic Research Center at MTSU have updated the [“Tracking Tennessee’s Economy”](#) dashboard with data from March 2021. Dr. Arik describes the state of Tennessee’s economic recovery as “very rapid and optimistic.”

### **Federal Government Indicators and Reports:**

#### Bureau of Economic Analysis

Thursday, [Gross Domestic Product and Corporate Profits](#): “Real gross domestic product (GDP) increased at an annual rate of 6.4 percent in the first quarter of 2021 according to the ‘second’ estimate released by the Bureau of Economic Analysis. In the fourth quarter of 2020, real GDP increased 4.3 percent. . . . The increase in real GDP in the first quarter reflected increases in personal consumption expenditures, nonresidential fixed investment, federal government spending, residential fixed investment, and state and local government spending that were partly offset by decreases in private inventory investment and exports. . . . Profits from current production decreased \$0.2 billion in the first quarter, compared with a decrease of \$31.4 billion in the fourth quarter. Profits of domestic financial corporations decreased \$3.6 billion in the first quarter, in contrast to an increase of \$17.5 billion in the fourth quarter. Profits of domestic nonfinancial corporations increased \$12.4 billion, in contrast to a decrease of \$48.2 billion.”

Friday, [Personal Income and Outlays](#): “Personal income decreased \$3.21 trillion (13.1 percent) in April. . . . Disposable personal income (DPI) decreased \$3.22 trillion (14.6 percent), and personal consumption expenditures (PCE) increased \$80.3 billion (0.5 percent). . . . The PCE price index increased 0.6 percent. . . . The decrease in personal income in April primarily reflected a decrease in government social benefits . . . as economic impact payments made to individuals from the American Rescue Plan Act of 2021 continued, but at a lower level than in March. Unemployment insurance also decreased, led by decreases in payments from the Pandemic Unemployment Compensation program.”

#### Bureau of Labor Statistics

Thursday, [Productivity by State](#): “Labor productivity in the private nonfarm sector rose in 45 states and the District of Columbia in 2020 . . . the highest number of states with positive productivity growth since 2010.” Tennessee was among the five states (along with Idaho, Montana, Oklahoma, and South Dakota) where labor productivity declined, “due to a more rapid decline in output than in hours worked.”

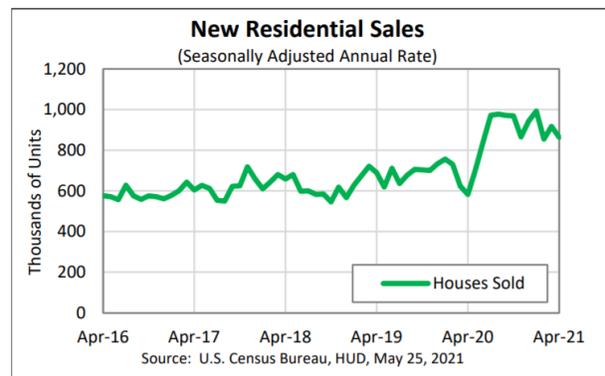
Bureau of Transportation Statistics

Wednesday, [North American Transborder Freight](#): “\$114.6 billion of transborder freight moved by all modes of transportation [between the U.S. and North American countries (Canada and Mexico) in March 2021], up 19.5% compared to February 2021 and up 16.0% compared to March 2020. March 2021 transborder freight was up 6.9% compared to \$107.2 billion in March 2019.”

Census Bureau

Tuesday, [New Residential Sales](#): “Sales of new single-family houses in April 2021 were at a seasonally adjusted annual rate of 863,000. . . . This is 5.9 percent below the revised March rate of 917,000 but is 48.3 percent above the April 2020 estimate of 582,000. The median sales price of new houses sold in April 2021 was \$372,400. The average sales price was \$435,400. The seasonally-adjusted estimate of new houses for sale at the end of April was 316,000. This represents a supply of 4.4 months at the current sales rate.”

 <b>NEW RESIDENTIAL SALES</b>	
<b>APRIL 2021</b>	
<b>New Houses Sold<sup>1</sup>:</b>	<b>863,000</b>
<b>New Houses For Sale<sup>2</sup>:</b>	<b>316,000</b>
<b>Median Sales Price:</b>	<b>\$372,400</b>
<b>Next Release: June 23, 2021</b>	
<small><sup>1</sup>Seasonally Adjusted Annual Rate (SAAR)</small>	
<small><sup>2</sup>Seasonally Adjusted</small>	
<small>Source: U.S. Census Bureau, HUD, May 25, 2021</small>	



Thursday, [Advance Report on Durable Goods](#): “New orders for manufactured durable goods in April decreased \$3.2 billion or 1.3 percent to \$246.2 billion . . . following eleven consecutive monthly increases. . . . Transportation equipment, down two consecutive months, drove the decrease, \$4.9 billion or 6.7 percent to \$68.9 billion. Shipments of manufactured durable goods in April, up eleven of the last twelve months, increased \$1.4 billion or 0.6 percent to \$248.7 billion. . . . Nondefense new orders for capital goods in April increased \$2.7 billion or 3.5 percent to \$80.1 billion.”

Friday, [Advance Report on International Trade and Wholesale and Retail Inventories](#): “The international trade deficit was \$85.2 billion in April, down \$6.8 billion from \$92.0 billion in March. Exports of goods for April were \$144.7 billion, \$1.7 billion more than March exports. Imports of goods for April were \$229.9 billion, \$5.1 billion less than March imports. Wholesale inventories for April . . . were estimated at an end-of-month level of \$698.3 billion, up 0.8 percent from March 2021. . . . Retail inventories for April . . . were estimated at an end-of-month level of \$602.9 billion, down 1.6 percent from March 2021.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending May 22, the advance figure for seasonally adjusted initial claims was 406,000, a decrease of 38,000 from the previous week’s unrevised level of 444,000. This is the lowest level for initial claims since March 14, 2020 when it was 256,000. The 4-week moving average was 458,750, a decrease of 46,000 from the previous week’s unrevised average of 504,750.” During the week ending May 22, there were 6,006 initial claims filed in Tennessee , 1,715 fewer than in the week prior. The table below shows unadjusted continuing claims

for benefits in all programs for the week ending May 8. [Tennessee will no longer participate in the federal pandemic programs after July 3.](#)

**Tennessee: Total Claims for the Week Ending May 8 (not seasonally adjusted)**

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53,307	State Insured Unemployment
79	Unemployment Compensation program for Federal Employees (UCFE)
25	Unemployment Compensation for Ex-servicemembers (UCX)
55,264	Pandemic Unemployment Assistance (PUA) Continued Claims
53,646	Pandemic Emergency Unemployment Compensation (PEUC) Claims
35	Extended Benefits (EB) Claims

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**162,356**

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Federal Reserve Board

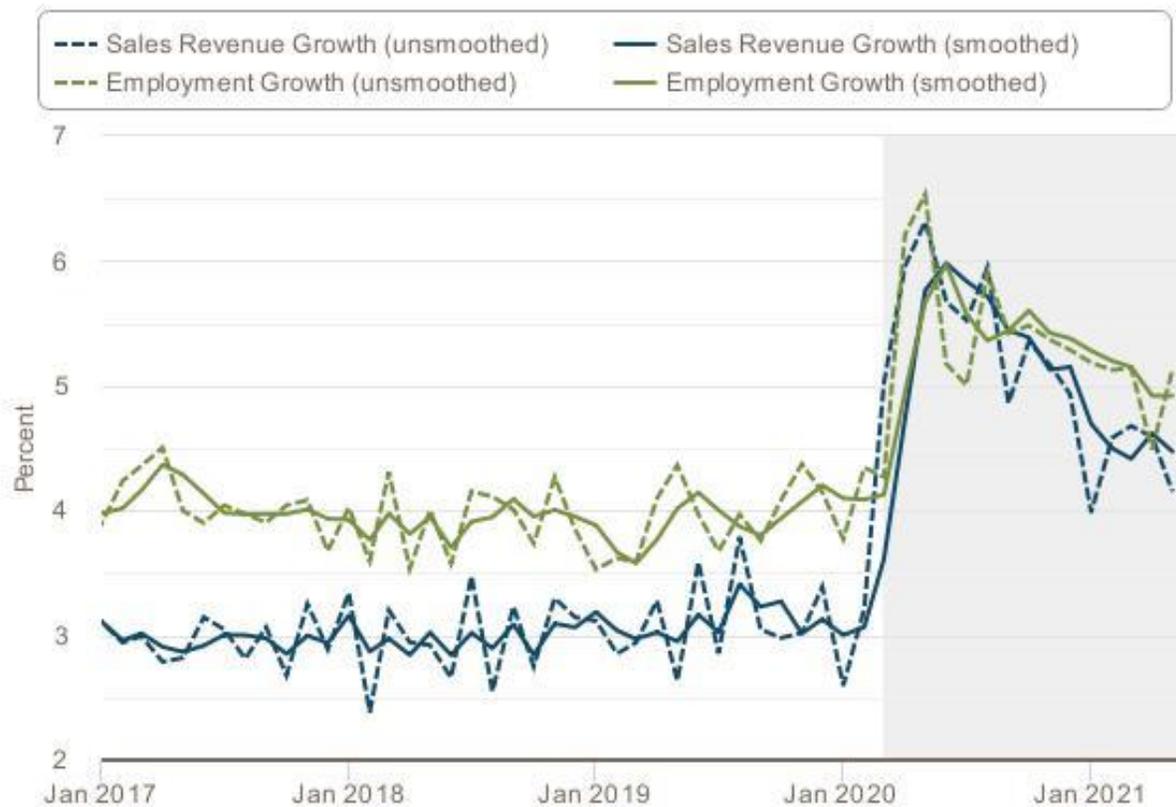
Wednesday, [Speech: The Economic Outlook and Monetary Policy](#): Speaking at the Brookings Institution’s Hutchins Center on Fiscal and Monetary Policy, Fed Vice Chair for Supervision Randal K. Quarles said he expects the U.S. economy “to continue growing strongly over the remainder of this year.” Although Quarles noted that supply-chain issues “will likely hinder the quick expansion of production in some industries,” he believes consumer spending “will remain robust” and sees “elevated levels of [business] investment in the months ahead.” He reinforced the view “that the recent rise in inflation to well above 2 percent is driven by temporary factors,” suggesting that “we need to remain patient in the face of what seem to be transitory shocks to prices and wages” and not take actions too soon that could slow the recovery.

Federal Reserve Bank of Atlanta

Wednesday, [Survey of Business Uncertainty](#): While the latest monthly data from this survey show businesses’ uncertainty about year-ahead revenue and employment growth is trending lower, the it remains elevated relative to pre-pandemic levels.

## Business Uncertainty

Uncertainty about 4-quarter ahead growth



Notes: Aggregate employment and sales uncertainty series are constructed from firms' probabilistic expectations over the year ahead.

Source: Atlanta Fed/Chicago Booth/Stanford Survey of Business Uncertainty

Updated on: May 26, 2021



FEDERAL RESERVE BANK of ATLANTA

Exported on: Thursday, May 27, 2021

Federal Reserve Bank of Chicago

Monday, [Chicago Fed National Activity Index](#): The index “declined to +0.24 in April from +1.71 in March.” Positive values for the index are associated with above-average growth and negative values with below-average growth. “Three of the four broad categories of indicators used to construct the index made positive contributions in April, but three categories deteriorated from March.”

### **Economic Indicators and Confidence:**

The Conference Board

Tuesday, [Consumer Confidence](#): Consumer confidence “held steady in May, following a gain in April. The Index now stands at 117.2, down marginally from 117.5 in April. The Present Situation Index—based on consumers' assessment of current business and labor market conditions—increased from 131.9 to 144.3. However, the Expectations Index—based on consumers' short-term outlook for income, business, and labor market conditions—fell to 99.1 in May, down from 107.9 last month.” Lynn

Franco, senior director of economic indicators at The Conference Board, pointed to consumers' "expectations of decelerating growth and softening labor market conditions in the months ahead."

University of Michigan

Friday, [Index of Consumer Sentiment](#): "Consumer confidence remained largely unchanged at the reduced level recorded at mid-month. It is hardly surprising that the resurgent strength of the economy produced more immediate gains in demand than supply, causing consumers to expect a surge in inflation. Record proportions of consumers reported higher prices across a wide range of discretionary purchases, including homes, vehicles, and household durables—the average change in May vastly exceeds all prior monthly changes. . . . An all-time peak proportion of consumers anticipated declines in the national unemployment rate during the year ahead. While higher inflation will diminish real incomes, the gains in spending will nonetheless be substantial."

## Final Results for May 2021

	May	Apr	May	M-M	Y-Y
	2021	2021	2020	Change	Change
Index of Consumer Sentiment	82.9	88.3	72.3	-6.1%	+14.7%
Current Economic Conditions	89.4	97.2	82.3	-8.0%	+8.6%
Index of Consumer Expectations	78.8	82.7	65.9	-4.7%	+19.6%

### **Mortgages and Housing Markets:**

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): "30-year fixed-rate mortgage averaged 2.95 percent . . . for the week ending May 27, 2021, down from last week when it averaged 3.00 percent. A year ago at this time, the 30-year FRM averaged 3.15 percent." Sam Khater, Freddie Mac's chief economist, says, "Substantial opportunity continues to exist today [for homeowners to save money], as nearly \$2 trillion in conforming mortgages have the ability to refinance and reduce their interest rate by at least half a percentage point."

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): "Mortgage applications decreased 4.2 percent from one week earlier, according to data from . . . the week ending May 21, 2021." Joel Kan, MBA's associate vice president of economic and industry forecasting, said, "Demand is robust throughout the country, but homebuyers continue to be held back by the lack of homes for sale and rapidly increasing home prices."

National Association of Realtors

Thursday, [Pending Home Sales](#): "Pending home sales decreased 4.4% in April from the prior month, in part due to record-low inventory of homes for sale in the first quarter of 2021. . . . Year-over-year, signings jumped 51.7% as last year's pandemic-related shutdowns slumped sales to an all-time low."

## S&P CoreLogic

Tuesday, [U.S. National Home Price NSA Index](#): “The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, reported a 13.2% annual gain in March, up from 12.0% in the previous month. . . . Phoenix led the way with a 20.0% year-over-year price increase, followed by San Diego with a 19.1% increase and Seattle with a 18.3% increase.” Craig J. Lazzara, managing director and global head of index investment strategy at S&P DJI, said March was the “tenth consecutive month of accelerating prices, [and the] 13.2% gain was last exceeded more than 15 years ago in December 2005.”