

Economic Update, July 17, 2020  
Submitted by Michael Mount

Summary: Economic activity remains well below where it was prior to the COVID-19 pandemic. While initial claims for unemployment insurance decreased slightly from 1,310,000 to 1,300,000, they are well above pre-pandemic levels of 200,000 to 300,000. Underscoring the extent to which the ebb and flow of the pandemic continues to affect perceptions of the economy and its future, surveys of US businesses conducted in early June were generally positive. On average, US firms participating in those June surveys expected to have recouped output lost because of the pandemic by the end of the year, and small business owners were optimistic about future business conditions and indicated they expect the recession to be short-lived. But by late June and into July, as the virus has made a resurgence across the South and West, businesses have become less optimistic, and consumer expectations have worsened.

Bureau of Labor Statistics

Tuesday, [Real Earnings](#): “Real average hourly earnings for all employees decreased 1.7 percent from May to June. . . . From June 2019 to June 2020, real average hourly earnings increased 4.8 percent, seasonally adjusted. The change in real average hourly earnings combined with a 0.9-percent increase in the average workweek resulted in a 5.7-percent increase in real average weekly earnings over this period.”

Tuesday, [Consumer Price Index](#): “The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.6 percent in June on a seasonally adjusted basis after falling 0.1 percent in May. . . . Over the last 12 months, the all items index increased 0.6 percent before seasonal adjustment. . . . The food index increased 4.5 percent over the last 12 months, with the index for food at home rising 5.6 percent. Despite increasing in June, the energy index fell 12.6 percent over the last 12 months.”

Wednesday, [Import and Export Prices](#): “The price index for U.S. imports rose 1.4 percent in June. . . . Both the June and May advances were driven by rising fuel prices. U.S. export prices also increased 1.4 percent in June, after advancing 0.4 percent the previous month.”

Department of Labor

Thursday, [Initial Claims](#): “In the week ending July 11, the advance figure for seasonally adjusted initial claims was 1,300,000, a decrease of 10,000 from the previous week's revised level. . . . The 4-week moving average was 1,375,000, a decrease of 60,000 from the previous week's revised average.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 5.1 percent from one week earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$510,400 or less) decreased to 3.19 percent from 3.26 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to 2.70 percent from 2.77 percent.”

Federal Reserve

Monday, [Consumer Expectations](#): “Median inflation expectations at the one-year horizon declined from 3.0% in May to 2.7% in June, and decreased at the three-year horizon to 2.5% in June from 2.6% in May. . . . Mean unemployment expectations—or the mean probability that the U.S. unemployment rate will be higher one year from now—decreased to 35.1% in June, from 38.9% in May, its third consecutive decline since reaching a series high of 50.9% in March. The current reading is now just above the February level of 34.2%.”

Wednesday, [Industrial Production and Capacity Utilization](#): “Total industrial production rose 5.4 percent in June after increasing 1.4 percent in May; even so, it remained 10.9 percent below its pre-pandemic February level. For the second quarter as a whole, the index fell 42.6 percent at an annual rate, its largest quarterly decrease since the industrial sector retrenched after World War II. . . . Capacity utilization for the industrial sector increased 3.5 percentage points to 68.6 percent in June, a rate that is 11.2 percentage points below its long-run (1972–2019) average but 1.9 percentage points above its trough during the Great Recession.”

Wednesday, [Beige Book](#): “Economic activity increased in almost all Districts, but remained well below where it was prior to the COVID-19 pandemic. . . . Employment increased on net in almost all Districts as many businesses reopened or ramped up activity.”

#### Treasury

Monday, [US Government Receipts and Outlays](#): “Driven by the impact of the COVID-19 outbreak and government response, the deficit for June 2020 was \$864 billion, compared to \$8 billion in June 2019. More than half of this increase was due to a \$511 billion increase in Small Business Administration budget outlays, primarily for the Paycheck Protection Program (PPP). Cash expenditures for loan forgiveness under PPP will occur in subsequent months.”

#### NFIB

Tuesday, [Small Business Optimism Index](#): The index “increased 6.2 points in June to 100.6 with eight of the 10 components improving and two declining. Owners anticipate improving sales as the economy continues to re-open with sales expectations rebounding to a net 13% after April’s lowest reading in survey history (a net negative 42%). Small business owners continue to be optimistic about future business conditions and indicate they expect the recession to be short-lived.”

#### US Census

Thursday, [Retail Sales](#): “Advance estimates of U.S. retail and food services sales for June 2020 . . . were \$524.3 billion, an increase of 7.5 percent from the previous month, and 1.1 percent above June 2019.”

#### Google

Sunday, [Mobility Report](#): The COVID-19 pandemic has affected where people spend their time, according to data from Google. Visits to transit (-23%), retail and recreation (-17%), workplace (-15%), and grocery and pharmacy (-3%) locations have decreased from May 31 to July 12, 2020, when compared to the five weeks from January 3 to February 6, 2020. Visits to parks (+64%) and residences (+3%) increased.

#### Gallup

Tuesday, [Small Business Survey](#): Based on interviews from May 29 to June 5, 2020, “16% of owners reported that their business was closed because of the pandemic, while half said their business is still operating but with reduced staff or with significant changes in their services. Most of those who were closed said it is temporary until restrictions are lifted. Meanwhile, about a third (34%) said their business is operating as normal. . . . The slight majority of small-business owners are not expecting to see rapid economic recovery from the impact of the virus once the restrictions are lifted. Only one-third say it will be weeks or a few months to recover -- while slightly over half (52%) predict it will be up to a year or more before they can recover economically and 13% feel it is too soon to estimate.”

NAHB

Thursday, [Housing Market Index](#): “In a strong signal that the housing market is ready to lead a post-COVID economic recovery, builder confidence in the market for newly-built single-family homes jumped 14 points to 72 in July. . . . The HMI now stands at the solid pre-pandemic reading in March before the outbreak affected much of the nation.”

IHS Markit

Monday, [US Business Outlook](#): “U.S. private sector firms were less optimistic in June. . . . That said, a number of U.S. private sector firms expected output to increase over the coming year. . . . The moderation in expectations was commonly attributed by firms to the outbreak of COVID-19. . . . The recent sharp uptick in new virus cases led to greater uncertainty surrounding business survival if there were to be another widespread lockdown.”

Thursday, [COVID-19 Recovery Survey](#): “Companies in the US are expecting to lead the recovery of output lost due to the COVID-19 pandemic . . . though Chinese companies have so far suffered the smallest hit. On average, firms expect to have recouped output lost due to the pandemic by the end of the year, with average expectations of just three months in the US and China. The longest average recovery is seen in the UK at nearly nine months. Hotels, restaurants and other consumer-facing services are anticipating the longest recoveries, and the greatest likelihood of a permanent loss of output.”

University of Michigan

Friday, [Consumer Expectations](#): “Consumer sentiment retreated in the first half of July due to the widespread resurgence of the coronavirus. . . . Unfortunately, declines are more likely in the months ahead as the coronavirus spreads and causes continued economic harm, social disruptions, and permanent scarring.”

