

Economic Update, July 2, 2021
Submitted by Michael Mount

Summary: The big news this week was the jobs report, which was good, with nonfarm payrolls increasing by 850,000. Initial claims for unemployment insurance decreased to 364,000, and the unemployment rate increased albeit only slightly from 5.8% to 5.9%. Supply constraints and low mortgage rates helped push housing prices up 15.7% from a year earlier, a record increase. Although US manufacturing continued its expansion, growth continues to be weighed down by supply-chain problems and labor shortages.

Federal Government Indicators and Reports:

Census Bureau

Thursday, [Construction Spending](#): “Construction spending during May 2021 was estimated at a seasonally adjusted annual rate of \$1,545.3 billion, 0.3% below the revised April estimate of \$1,549.5 billion. . . . Spending on private construction was . . . \$1,203.3 billion, 0.3% below the revised April estimate of \$1,206.8 billion. . . . Public construction spending was \$342.0 billion, 0.2% below the revised April estimate of \$342.7 billion.”

Friday, [International Trade](#): “The goods and services deficit was \$71.2 billion in May, up \$2.2 billion from \$69.1 billion in April. . . . May exports were \$206.0 billion, \$1.3 billion more than April exports. May imports were \$277.3 billion, \$3.5 billion more than April imports.”

Friday, [Factory Orders](#): “New orders for manufactured goods in May, up twelve of the last thirteen months, increased \$8.1 billion or 1.7% to \$495.5 billion. . . . This followed a 0.1% April decrease.”

Bureau of Economic Analysis

Wednesday, [International Investments](#): “The US net international investment position . . . was –\$14.32 trillion at the end of the first quarter of 2021. . . . Assets totaled \$32.81 trillion and liabilities were \$47.13 trillion.”

Thursday, [New Foreign Direct Investment](#): “Expenditures by foreign direct investors to acquire, establish, or expand US businesses totaled \$120.7 billion in 2020. Expenditures were down 45.4% from \$221.2 billion in 2019 and below the annual average of \$314.4 billion for 2014-2019.”

Bureau of Labor Statistics

Wednesday, [Metropolitan Area Employment and Unemployment](#): “Unemployment rates were lower in May than a year earlier in all 389 metropolitan areas.” For Tennessee, unemployment decreased from 9.8% to 4.6%. In May 2021, unemployment rates for Tennessee’s metropolitan areas ranged from 3.9% (Chattanooga, Knoxville, and Nashville-Davidson—Murfreesboro—Franklin) to 6.3% (Memphis).

Friday, [Employment Situation](#): “Total nonfarm payroll employment rose by 850,000 in June, and the unemployment rate was little changed at 5.9%. . . . Notable job gains occurred in leisure and hospitality, public and private education, professional and business services, retail trade, and other services.”

Chart 1. Unemployment rate, seasonally adjusted, June 2019 – June 2021

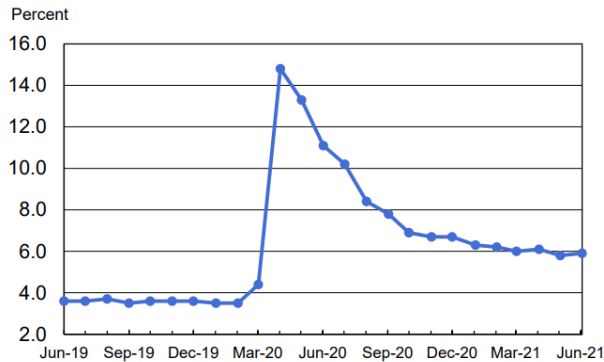
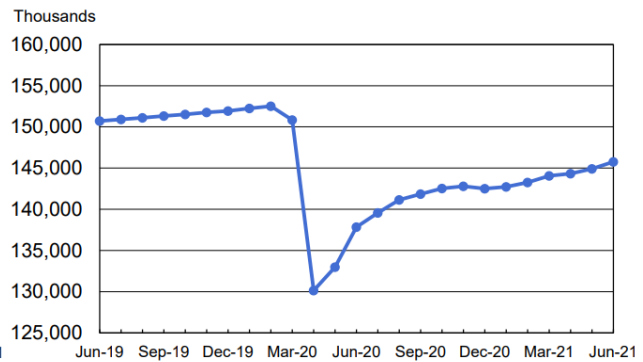


Chart 2. Nonfarm payroll employment, seasonally adjusted, June 2019 – June 2021



Department of Labor

Thursday, [Initial Claims](#): “In the week ending June 26, the advance figure for seasonally adjusted initial claims was 364,000, a decrease of 51,000 from the previous week’s revised level. This is the lowest level for initial claims since March 14, 2020 when it was 256,000.”

Economic Indicators and Confidence:

The Conference Board

Tuesday, [Consumer Confidence](#): The index “improved further in June, following gains in each of the previous four months. . . . ‘Consumer confidence increased in June and is currently at its highest level since the onset of the pandemic’s first surge in March 2020,’ said Lynn Franco, Senior Director of Economic Indicators at The Conference Board.”

ADP

Wednesday, [National Employment Report](#): “Private sector employment increased by 692,000 jobs from May to June. . . . ‘The labor market recovery remains robust, with June closing out a strong second quarter of jobs growth,’ said Nela Richardson, chief economist, ADP. ‘While payrolls are still nearly 7 million short of pre-COVID19 levels, job gains have totaled about 3 million since the beginning of 2021.’”

Challenger Gray

Thursday, [Job Cuts](#): “Job cuts announced by US-based employers fell 16.7% in June to 20,476 from 24,586 cuts announced in May. Last month’s total is the lowest monthly total since June 2000, when 17,241 job cuts were recorded.”

IHS Markit

Thursday, [Manufacturing PMI](#): The index “posted 62.1 in June, unchanged [from] May.” But the data signaled “the joint-fastest improvement in the health of the US manufacturing sector on record. . . . Input costs meanwhile showed the largest jump on record, feeding through to another record rise in factory selling prices. . . . Output growth, however, was weighed down by ongoing and severe supply-chain disruptions, and reports of labor shortages.”

Institute for Supply Management

Thursday, [Manufacturing PMI](#): The index “registered 60.6%, a decrease of 0.6 percentage point from the May reading of 61.2%. . . . Companies and suppliers continue to struggle to meet increasing levels of demand. Record-long raw-material lead times, wide-scale shortages of critical basic materials, rising commodities prices and difficulties in transporting products are continuing to affect all segments of the manufacturing economy.”

Mortgages and Housing Markets:

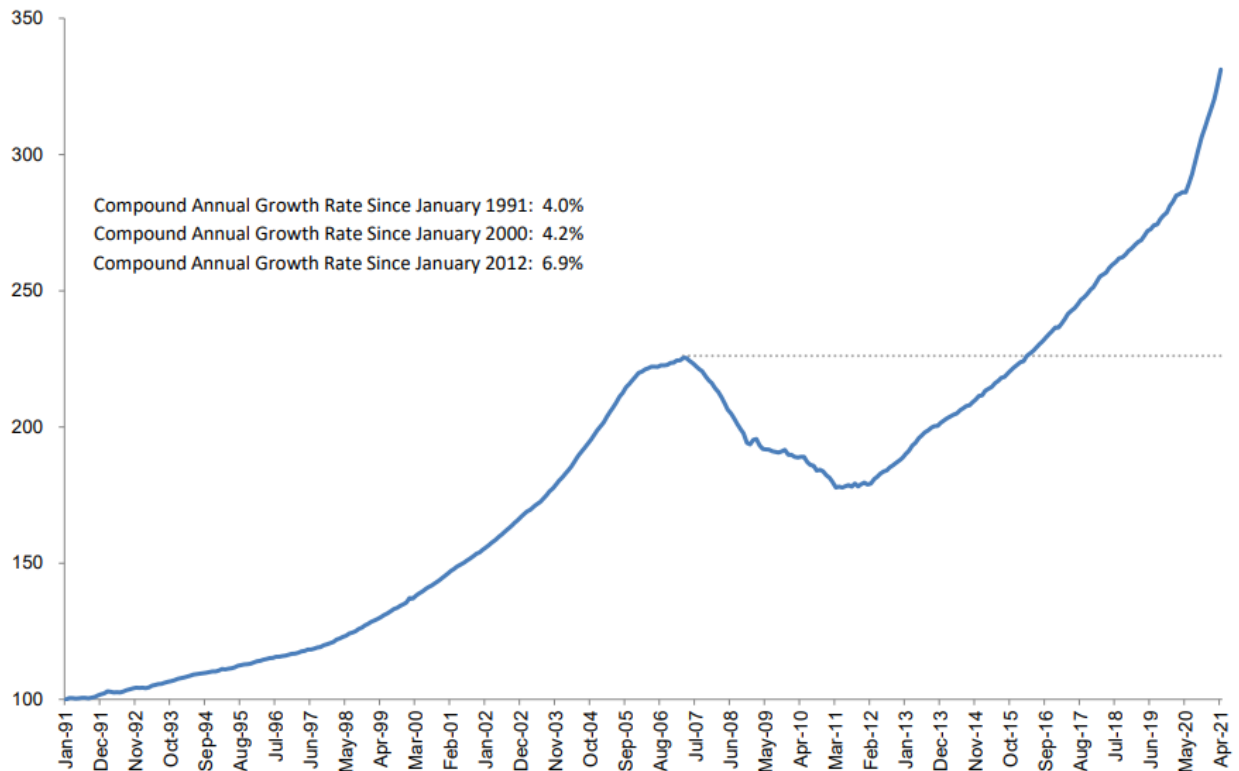
S&P/Case-Shiller

Tuesday, [Home Price Index](#): The index “reported a 14.6% annual gain in April, up from 13.3% in the previous month. . . . April’s performance was truly extraordinary. The 14.6% gain in the National Composite is literally the highest reading in more than 30 years of S&P CoreLogic Case-Shiller data.”

Federal Housing Finance Agency

Tuesday, [House Price Index](#): “House prices rose nationwide in April, up 1.8% from the previous month. . . . House prices rose 15.7% from April 2020 to April 2021. . . . ‘House prices recorded another monthly and annual record in April,’ said Dr. Lynn Fisher, FHFA’s Deputy Director of the Division of Research and Statistics. ‘This unprecedented price growth persists due to strong demand, bolstered by still-low mortgage rates, and too few homes for sale.’”

Monthly House Price Index for U.S. from January 1991 - Present
Purchase-Only FHFA HPI® (Seasonally Adjusted, Nominal)



Source: FHFA

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 6.9% from one week earlier. . . . ‘Mortgage application volume fell to the lowest level in almost a year and a half, with declines in both refinance and purchase applications. Mortgage rates were volatile last week, as investors tried to gauge upcoming moves by the Federal Reserve amidst several divergent signals, including rising inflation, mixed job market data, strong consumer spending, and a supply-constrained housing market that has led to rapid home-price growth,’ said Mike Fratantoni, MBA’s Senior Vice President and Chief Economist.”

National Association of Realtors

Wednesday, [Pending Home Sales](#): “Pending home sales rebounded strongly in May, reaching the highest reading ever for the month of May since 2005. . . . Although there has been a series of obstacles over the last year, including an unprecedented pandemic, record-high prices and all-time low inventory, buyers are still lining up at a feverish pace, according to [NAR’s Chief Economist Lawrence] Yun.”