

Economic Update, August 13, 2021  
Submitted by Michael Mount

Summary: Jobs and prices were the highlights this week, along with “dashed hopes that the pandemic would soon end.” Initial jobless claims decreased by 12,000 nationally to a total of 375,000, while job openings increased to a record 10.1 million. Real average hourly earnings decreased slightly. Inflation lessened but remained elevated, increasing 0.5% in July following a 0.9% increase in June. Home prices continued to soar, with 94% of markets reporting double-digit price increases compared with one year ago.

**Federal Government Indicators and Reports**

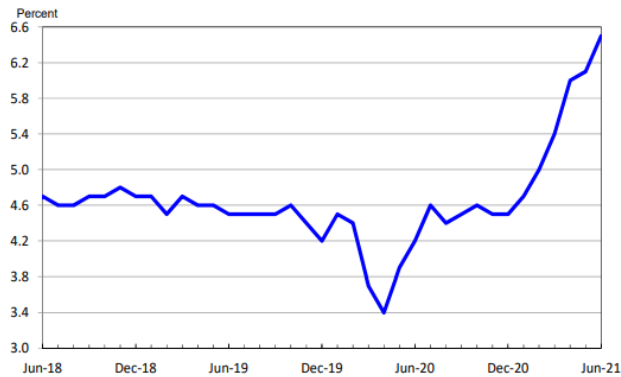
US Census

Wednesday, [Business Formation](#): “Business applications for July 2021 . . . were 454,460, an increase of 1.2% compared to June 2021. . . . Projected business formations for July 2021 . . . were 33,712, an increase of 2.1% compared to June 2021.”

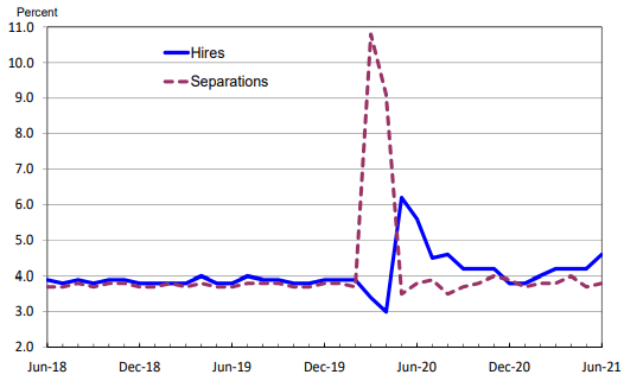
Bureau of Labor Statistics

Monday, [Job Openings and Labor Turnover](#): “The number of job openings increased to a series high of 10.1 million on the last business day of June. . . . Hires rose to 6.7 million and total separations edged up to 5.6 million.”

**Chart 1. Job openings rate, seasonally adjusted, June 2018 - June 2021**



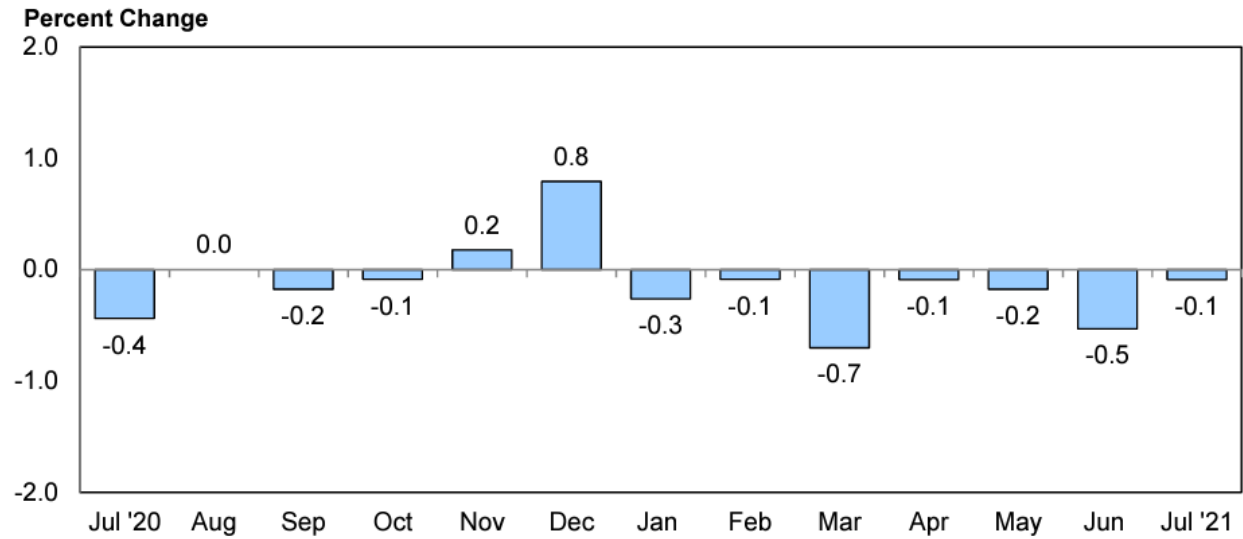
**Chart 2. Hires and total separations rates, seasonally adjusted, June 2018 - June 2021**



Tuesday, [Productivity and Costs](#): “Nonfarm business sector labor productivity increased 2.3% in the second quarter of 2021 . . . as output increased 7.9% and hours worked increased 5.5%. . . . Unit labor costs in the nonfarm business sector increased at an annual rate of 1.0% in the second quarter of 2021, the combined effect of a 3.3% increase in hourly compensation and a 2.3% increase in productivity.”

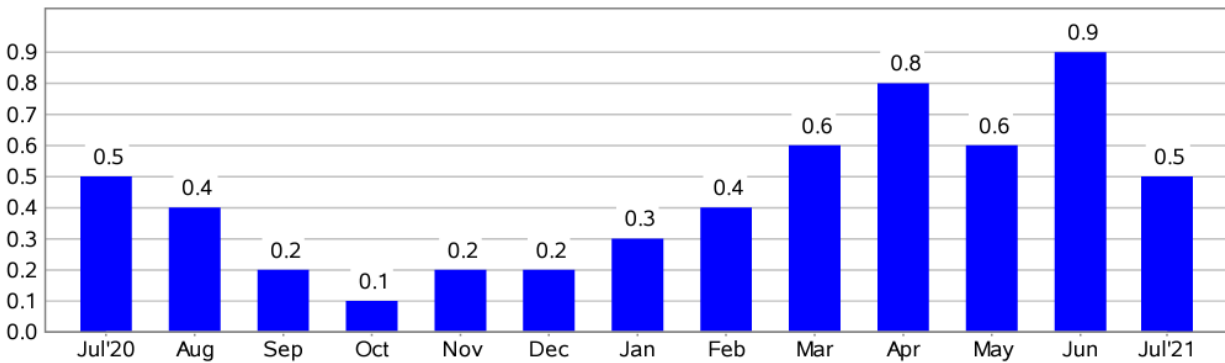
Wednesday, [Real Earnings](#): “Real average hourly earnings for all employees decreased 0.1% from June to July. . . . This result stems from an increase of 0.4% in average hourly earnings combined with an increase of 0.5% in the Consumer Price Index for All Urban Consumers (CPI-U).”

**Chart 1: Over-the-month percent change in real average hourly earnings for all employees, seasonally adjusted, July 2020–July 2021**



Wednesday, [Consumer Price Index](#): “The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.5% in July on a seasonally adjusted basis after rising 0.9% in June. . . . Over the last 12 months, the all items index increased 5.4% before seasonal adjustment.”

**Chart 1. One-month percent change in CPI for All Urban Consumers (CPI-U), seasonally adjusted, July 2020 - July 2021**  
Percent change



Thursday, [Producer Price Index](#): The index “for final demand increased 1.0% in July. . . . Final demand prices rose 1.0% in June and 0.8% in May. On an unadjusted basis, the final demand index moved up 7.8% for the 12 months ended in July, the largest advance since 12-month data were first calculated in November 2010.”

Department of Labor

Thursday, [Initial Claims](#): “In the week ending August 7, the advance figure for seasonally adjusted initial claims was 375,000, a decrease of 12,000 from the previous week’s revised level. . . . The 4-week moving average was 396,250, an increase of 1,750 from the previous week’s revised average.” In Tennessee initial claims for the week ending August 7 were 4,974, an increase of 133. However, for the week ending July 31, Tennessee had the fourth largest decrease in initial claims among states.

## **Economic Indicators and Confidence**

### Federal Reserve

Monday, [Consumer Expectations](#): The report said “households’ expectations about year-ahead earnings growth and the likelihood of finding a job increased sharply in July. Short-term inflation expectations were unchanged while medium-term inflation expectation ticked up. While remaining elevated, home price growth expectations declined.”

### National Federation of Independent Businesses

Monday, [Small Business Optimism](#): The index “decreased by 2.8 points in July to 99.7, reversing nearly the entire 2.9-point gain in June’s report. . . . Small businesses continue to struggle to find workers to fill open positions. Forty-nine percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, up 3 points from June and a record high reading. Unfilled job openings have remained far above the 48-year historical average of 22%.”

### University of Michigan

Friday, [Consumer Sentiment](#): “Consumers reported a stunning loss of confidence in the first half of August. The Consumer Sentiment Index fell by 13.5% from July, to a level that was just below the April 2020 low of 71.8. . . . Consumers have correctly reasoned that the economy’s performance will be diminished over the next several months, but the extraordinary surge in negative economic assessments also reflects an emotional response, mainly from dashed hopes that the pandemic would soon end.”

## **Mortgages and Housing Markets**

### Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 2.8% from one week earlier. . . . ‘Rates slightly rose but remained below 3%, driven by an end-of-week increase in the 10-year Treasury yield following the positive July jobs report,’ said Joel Kan, MBA’s Associate Vice President of Economic and Industry Forecasting.”

### National Association of Realtors

Thursday, [Home Prices](#): “The median sales price of single-family existing homes rose in 99% of measured metro areas in the second quarter of 2021 compared to one year ago, with double-digit price gains in 94% of markets. The median sales price of single-family existing homes rose 22.9% to \$357,900, an increase of \$66,800 from one year ago. . . . ‘Home price gains and the accompanying housing wealth accumulation have been spectacular over the past year, but are unlikely to be repeated in 2022,’ said Lawrence Yun, NAR chief economist.”