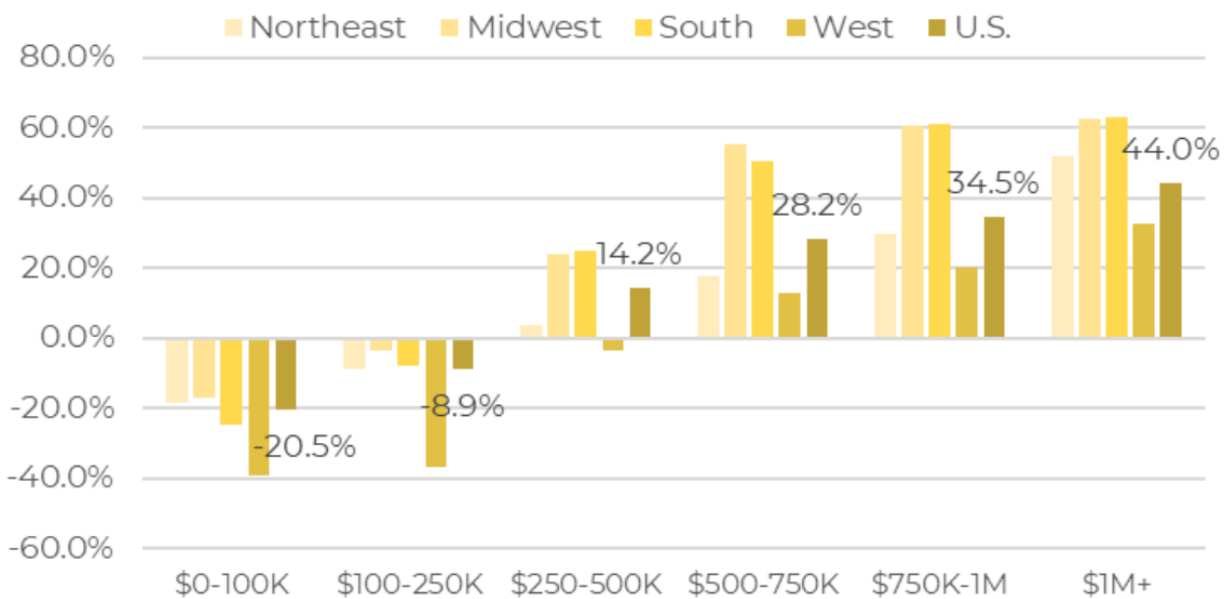


Economic Update, September 25, 2020
Submitted by Bob Moreo

Summary: For now, there are signs of economic growth. [CNBC reported](#) on Friday that “orders for key U.S.-made capital goods increased more than expected in August and demand for the prior month was stronger than previously estimated,” suggesting “a rebound in business spending on equipment was underway.” Sales of [new](#) and [existing](#) homes both reached their highest levels in more than a decade, although the [National Association of Realtors notes](#) that lack of inventory “has been acute for properties in the less than \$250,000 price range where sales have fallen by 10% to 20% compared to one year ago.” Federal Reserve Chairman Jerome Powell testified before Congress this week regarding the effects of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. “Many economic indicators show marked improvement,” [Powell said in his prepared remarks](#), adding “employment and overall economic activity, however, remain well below their pre-pandemic levels, and the path ahead continues to be highly uncertain.” Businesses reported a solid end to the third quarter, according to IHS Markit; but the question is whether the momentum can be maintained. Second quarter data on personal income were less encouraging for Tennessee, which ranked fiftieth for its growth in personal income and saw a decrease in net earnings that was fourth worst nationally.

Home Sales Rose in the \$250,000 or More Price Range:
Y/Y Percent Change in Existing Home Sales in August 2020



Federal Government Indicators and Reports:

Bureau of Economic Analysis

Thursday, [Personal Income by State](#): “State personal income increased 34.2 percent at an annual rate in the second quarter of 2020, an acceleration from the 4.1 percent increases in the first quarter. . . . Transfer receipts increased \$2.5 trillion for the nation in the second quarter of 2020, after increasing \$80.3 billion in the first quarter. . . . State unemployment compensation was boosted by a \$600 increase in weekly benefits provided by the CARES Act, as well as an expansion of eligibility of workers not previously covered by state unemployment compensation programs. The increase in all other transfers reflected \$1,200 economic impact payments to individuals. . . . For the nation, earnings

decreased 27.5 percent in the second quarter of 2020, after increasing 3.4 percent in the first quarter. The declines were moderated by Paycheck Protection Program (PPP) loans to proprietors.” With just a 15.8 percent increase, Tennessee ranked 50th for change in state personal income in the second quarter. Tennesseans saw a 35.6 percent decrease in net earnings in the second quarter, fourth-worst among all states.

Bureau of Transportation Statistics

Wednesday, [North American Transborder Freight](#): “\$91.0 billion of transborder freight moved by all modes of transportation” in July 2020, “up 10.9% compared to June 2020 and up 62.2% from May 2020. Transborder freight value in July was down 11.2% compared to July 2019.”

Census Bureau

Thursday, [New Residential Sales](#): “Sales of new single-family houses in August 2020 were at a seasonally adjusted annual rate of 1,011,000. . . . This is 4.8 percent above the revised July rate of 965,000 and is 43.2 percent above the August 2019 estimate of 706,000. The median sales price of new houses sold in August 2020 was \$312,800.”

Friday, [Advance Report on Durable Goods](#): “New orders for manufactured durable goods in August increased \$1.0 billion or 0.4 percent to \$232.8 billion. . . . This increase, up four consecutive months, followed an 11.7 percent July increase. Shipments of manufactured durable goods in August . . . decreased \$0.7 billion or 0.3 percent to \$244.1 billion. This followed a 7.6 percent July increase.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending September 19, the advance figure for seasonally adjusted initial claims was 870,000, an increase of 4,000 from the previous week’s revised level. . . . The 4-week moving average was 878,250, a decrease of 35,250 from the previous week’s revised average. . . . The advance seasonally adjusted insured unemployment rate was 8.6 percent for the week ending September 12, a decrease of 0.1 percentage point from the previous week’s revised rate.” In Tennessee, the unadjusted advance figure for initial claims the week ending September 19 was 11,313—just three fewer than the previous week. In addition, initial claims for Pandemic Unemployment Assistance increased by 327 from the week prior to 5,143.

Tennessee: Total Claims for the Week Ended September 5 (not seasonally adjusted)

178,952	Advance Insured Unemployment
123	Unemployment Compensation program for Federal Employees (UCFE)
138	Unemployment Compensation for Ex-servicemembers (UCX)
152,239	Pandemic Unemployment Assistance (PUA) Continued Claims
48,091	Pandemic Emergency Unemployment Compensation (PEUC) Claims
1,892	Extended Benefits (EB) Claims
381,435	

Federal Reserve Board

Monday, [Financial Accounts of the United States](#): “Household net worth increased \$7.6 trillion [to \$119.0 trillion], owing primarily to a rebound in stock prices. This second quarter increase in net worth offsets the decline in Q1. Household debt edged up by 0.5%. While home mortgages increased, nonmortgage consumer credit declined.”

Federal Reserve Bank of Chicago

Monday, [Chicago Fed National Activity Index](#): Suggesting slower, but still above-average growth, the index “declined to +0.79 in August from +2.54 in July. Two of the four broad categories of indicators used to construct the index made positive contributions in August, but all four categories decreased from July.”

Wednesday, [National Financial Conditions Index](#): “The NFCI was –0.49 in the week ending September 18, up slightly from a revised –0.51.” Negative values indicate looser-than-average financial conditions.

Economic Indicators and Confidence:

IHS Markit

Wednesday, [Flash U.S. Composite PMI](#): “Adjusted for seasonal factors, the IHS Markit Flash U.S. Composite PMI Output Index posted 54.4 at the end of the third quarter, down slightly on 54.6 seen in August. The index’s quarterly average was the highest since the opening three months of 2019.” The Services PMI Business Activity Index “registered 54.6 in September, down slightly from 55.0 in August. Nonetheless, the rate of expansion was the second-fastest since March 2019 and solid overall.” The Flash Manufacturing PMI came in at 53.5, up from 53.1 in August, indicating “the fastest improvement in operating conditions since January 2019.” Chris Williamson, Chief Business Economist at IHS Markit, commented: “US businesses reported a solid end to the third quarter, with demand growing at a steepening rate to fuel a further recovery of output and employment. . . . The question now turns to whether the economy’s strong performance can be sustained into the fourth quarter. . . . Risks . . . seem tilted to the downside for the coming months, as businesses await clarity with respect to both the path of the pandemic and the election.”

Mortgages and Housing Markets:

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): This week’s survey showed a “30-year fixed-rate mortgage averaged 2.90 percent . . . for the week ending September 24, 2020, up from last week when it averaged 2.87 percent.” Freddie Mac’s chief economist Sam Khater warns, “While there is room for rates to decrease even more, higher home prices and low inventory could potentially stifle the high demand that we’ve been seeing.”

Mortgage Bankers Association

Monday, [Forbearance and Call Volume](#): “The total number of loans now in forbearance decreased by 8 basis points from 7.01% of servicers’ portfolio volume in the prior week to 6.93% as of September 13, 2020. According to MBA’s estimate, 3.5 million homeowners are in forbearance plans.” However, MBA’s Senior Vice President and Chief Economist Mike Fratantoni noted that “not only the did the share of Ginnie Mae loans in forbearance increase, new requests for forbearance for these loans have increased for two consecutive weeks. While housing market data continue to show a quite strong recovery, the job market recovery appears to have slowed, and we are seeing the impact of this slowdown on FHA and VA borrowers in the Ginnie Mae portfolio.”

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications increased 6.8 percent from one week earlier, according to data . . . for the week ending September 18, 2020.” According to Joel Kan, MBA’s Associate Vice President of Economic and Industry Forecasting, “mortgage applications activity remained strong last week, even as the 30-year fixed-rate mortgage and 15-year fixed-rate mortgage increased to their highest levels since late August. Purchase applications were up over 25

percent from a year ago, and the demand for higher-balance loans pushed the average purchase loan size to another record high.” Litic Murali, an economist for the National Association of Home Builders, noted that [“purchasing Activity reached its highest level since January 2009.”](#)

National Association of Realtors

Tuesday, [Existing Home Sales](#): “Existing-home sales continued to climb in August, marking three consecutive months of positive sales gains. . . . Total existing-home sales . . . rose 2.4% from July to a seasonally-adjusted annual rate of 6.00 million in August. Sales as a whole rose year-over-year, up 10.5% from a year ago (5.43 million in August 2019).” Lawrence Yun, NAR’s chief economist, said: “Further gains in sales are likely for the remainder of the year, with mortgage rates hovering around 3% and with continued job recovery.”

Existing Home Sales Hit 6 Million in August 2020
(Seasonally Adjusted Annual Rate)



<https://cdn.nar.realtor/sites/default/files/documents/2020-09-21-weekly-housing-market-monitor-09-24-2020.pdf>