

Economic Update, December 30, 2020  
Submitted by Michael Mount

Summary: Personal income decreased for a second consecutive month, and personal consumption expenditures decreased as well. Production and employment growth slowed, but overall economic activity remained slightly above trend. Initial claims for unemployment insurance decreased but remain high. Consumer sentiment slipped in late December even as COVID-19 vaccines roll out. The housing market remains hot, with home prices increasing at an annualized rate of 8.4 percent.

**Federal Government Indicators and Reports:**

US Census Bureau

Last Wednesday, [Residential Sales](#): “Sales of new single-family houses in November 2020 were at a seasonally adjusted annual rate of 841,000. . . . This is 11.0 percent below the revised October rate of 945,000, but is 20.8 percent above the November 2019 estimate of 696,000.”

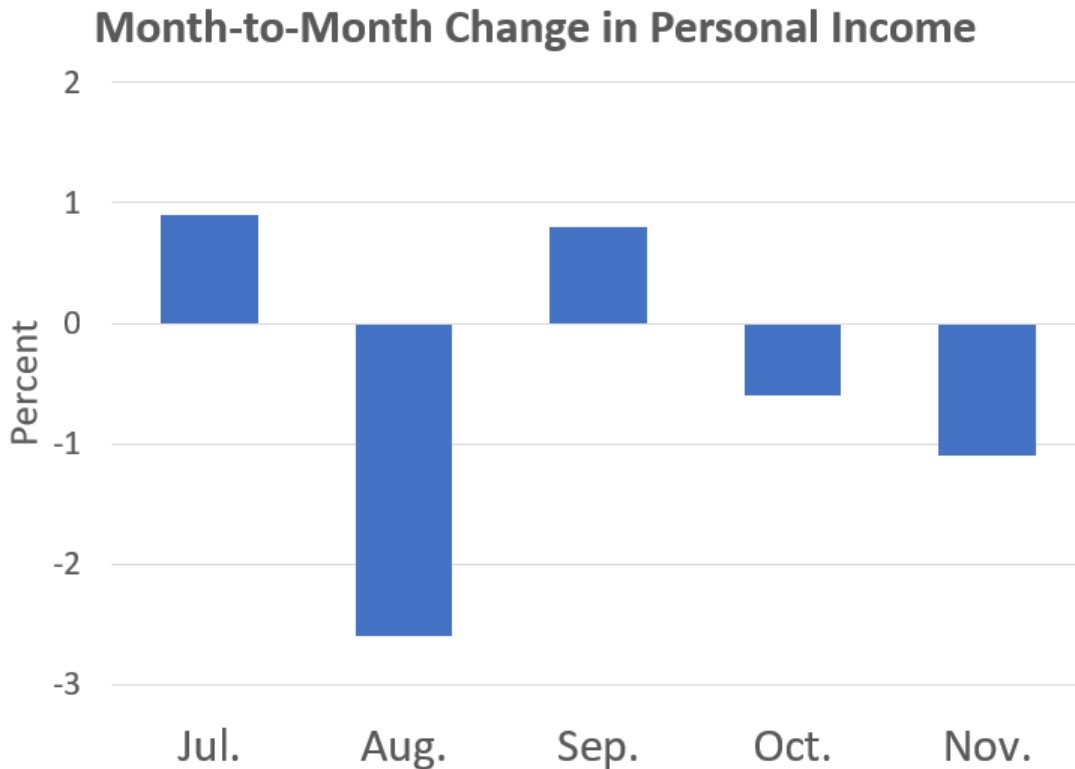
Last Wednesday, [Durable Goods](#): “New orders for manufactured durable goods in November increased \$2.2 billion or 0.9 percent to \$244.2 billion. . . . This increase, up seven consecutive months, followed a 1.8 percent October increase.”

Wednesday, [Economic Indicators](#): “The international trade deficit was \$84.8 billion in November, up \$4.4 billion from \$80.4 billion in October. Exports of goods for November were \$127.2 billion, \$1.1 billion more than October exports. Imports of goods for November were \$212.0 billion, \$5.5 billion more than October imports.”

Bureau of Economic Analysis

Last Tuesday, [Gross Domestic Product](#): “Real gross domestic product (GDP) increased at an annual rate of 33.4 percent in the third quarter of 2020. . . . In the second quarter, real GDP decreased 31.4 percent.”

Last Wednesday, [Personal Income and Outlays](#): “Personal income decreased \$221.8 billion (1.1 percent) in November.” This follows a decrease of \$127.4 billion (0.6 percent) in October. “Disposable personal income (DPI) decreased \$218.0 billion (1.2 percent) and personal consumption expenditures (PCE) decreased \$63.3 billion (0.4 percent).” The PCE price index increased 1.1 percent since November 2019.



U.S. Bureau of Economic Analysis

Last Wednesday, [Gross Domestic Product by State](#): “Real gross domestic product (GDP) increased in all 50 states and the District of Columbia in the third quarter of 2020, as real GDP for the nation increased at an annual rate of 33.4 percent.” Tennessee’s increase was 46.5 percent.

Tuesday, [International Investments](#): “The U.S. net international investment position . . . was –\$13.95 trillion at the end of the third quarter of 2020. . . . Assets totaled \$29.41 trillion and liabilities were \$43.36 trillion.”

Bureau of Labor Statistics

Last Tuesday, [Occupational Requirements](#): “On average, civilian workers spent 4.25 hours of the workday standing in 2020. . . . Workers stood for 57.3 percent of the workday and spent the rest of the workday sitting. The choice to sit or stand to perform critical tasks in support of critical job functions was available to 42.5 percent of civilian workers.”

Department of Labor

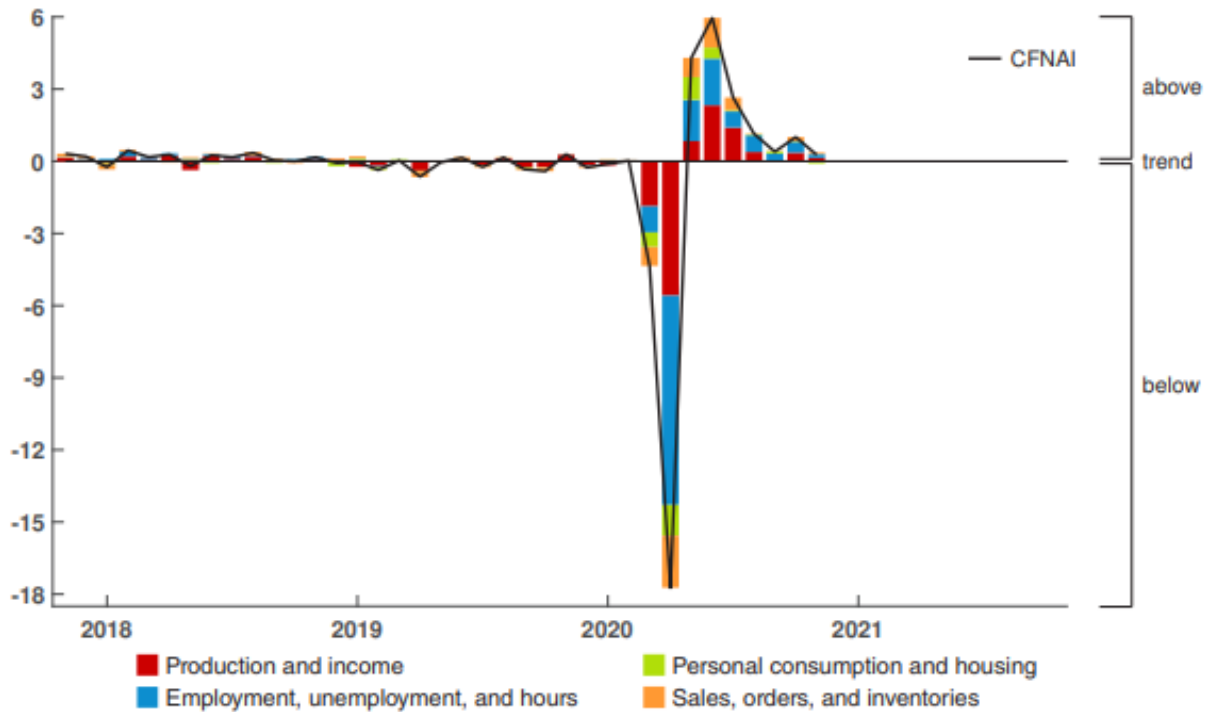
Last Wednesday, [Initial Claims](#): “In the week ending December 19, the advance figure for seasonally adjusted initial claims was 803,000, a decrease of 89,000 from the previous week’s revised level.”

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

Federal Reserve

Last Monday, [National Activity Index](#): “Led by slower growth in employment- and production-related indicators, the [index] declined to +0.27 in November from +1.01 in October.”

## Chicago Fed National Activity Index, by Categories



University of Michigan

Last Wednesday, [Consumer Sentiment](#): The index “slipped in late December, although it remained higher than last month despite the ongoing surge in covid infections and deaths. . . . While the rollout of the vaccine has been greeted as the beginning of the end, the end of the pandemic is still on the distant horizon in terms of a return to normalcy for consumer behavior, even among the most favored households.”

### **Mortgages and Housing Markets**

National Association of Realtors

Last Tuesday, [Existing Home Sales](#): “Existing-home sales decreased in November to a seasonally-adjusted annual rate of 6.69 million—down 2.5% from the prior month, but up 25.8% from one year ago.”

Mortgage Bankers Association

Last Wednesday, [Mortgage Applications](#): “Mortgage applications increased 0.8 percent from one week earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$510,400 or less) increased to 2.86 percent from 2.85 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to 2.43 percent from 2.49 percent.”

Federal Housing Finance Agency

Last Wednesday, [House Price Index](#): “House prices rose nationwide in October, up 1.5 percent from the previous month. . . . House prices rose 10.2 percent from October 2019 to October 2020.”

S&P Corelogic

Tuesday, [Home Prices](#): “Home prices continue to increase at a modest rate across the US . . . an 8.4% annual gain in October, up from 7.0% in the previous month.”