

Economic Update, April 16, 2021
Submitted by Bob Moreo

Summary: Optimism! Reports this week showed an improving outlook among U.S. small businesses, as well as among consumers both in the U.S. and globally. The Conference Board upgraded its forecast of 2021 real GDP growth from 5.5 percent (year-over-year) to 6.0 percent, [“due to stronger than expected economic indicators in Q1 \[2021\], the rapid deployment of a \\$1.9 trillion fiscal support package, and a faster than projected vaccination campaign.”](#) Mortgage rates ticked down after a few weeks of increases, and Freddie Mac expects them to stay in this range throughout 2021, while fewer homeowners are behind on their mortgage payments. Home builder confidence increased, with housing starts and completions on the rise along with mortgage applications for new homes. However, a survey published Friday by Duke University and the Federal Reserve Banks of Richmond and Atlanta revealed CFOs [“do not anticipate building a lot of new capacity in the next six months,”](#) which may be a sign that this recovery could be slow for now. In an interview at the Economic Club of Washington, D.C., this week, Federal Reserve Chair Jerome Powell said that [“the main risk is that we’ll have another spike in cases.”](#)

Federal Government Indicators and Reports:

Bureau of Labor Statistics

Tuesday, [Consumer Price Index](#): “The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.6 percent in March on a seasonally adjusted basis after rising 0.4 percent in February. . . . The March 1-month increase was the largest rise since a 0.6-percent increase in August 2012. Over the last 12 months, the all items index increased 2.6 percent before seasonal adjustment. . . . The index for all items less food and energy rose 1.6 percent over the last 12 months.”

Tuesday, [Real Earnings](#): “Real average hourly earnings for all employees decreased 0.8 percent from February to March, seasonally adjusted. This result stems from a decrease of 0.1 percent in average hourly earnings combined with an increase of 0.6 percent in the Consumer Price Index for All Urban Consumers (CPI-U). . . . Real average hourly earnings increased 1.5 percent, seasonally adjusted, from March 2020 to March 2021.” For production and nonsupervisory employees, “from March 2020 to March 2021, real average hourly earnings increased 1.4 percent, seasonally adjusted.”

Friday, [State Employment and Unemployment](#): “Unemployment rates were lower in March in 20 states and the District of Columbia and stable in 30 states. . . . The national unemployment rate, 6.0 percent, edged down by 0.2 percentage point over the month, but was 1.6 points higher than in March 2020. Nonfarm payroll employment increased in 29 states and was essentially unchanged in 21 states and the District of Columbia in March 2021.” The seasonally adjusted unemployment rate in Tennessee in March 2021 was 5.0 percent, compared to 4.9 percent in February 2021 and 4.0 percent in March 2020. Total nonfarm employment (unadjusted) in March 2021 was 3,045,700, up from 3,023,600 in February 2021 but below the March 2020 figure of 3,127,700.

Friday, [Usual Weekly Earnings of Wage and Salary Workers](#): “Median weekly earnings of the nation’s 112.1 million full-time wage and salary workers were \$989 in the first quarter of 2021 (not seasonally adjusted). . . . This was 3.3 percent higher than a year earlier, compared with a gain of 1.9 percent in the Consumer Price Index for All Urban Consumers (CPI-U) over the same period.”

Bureau of Transportation Statistics






Tuesday, [U.S. Airline Passengers \(preliminary\)](#): “U.S. airlines carried 61% fewer scheduled service passengers in February 2021 than in February 2020 (preliminary) . . . the fifth straight month of year-over-year declines slightly above 60%.”

Wednesday, [Freight Transportation Services Index](#): “The Freight Transportation Services Index (TSI), which is based on the amount of freight carried by the for-hire transportation industry, declined 3.6% in February from January, falling to its lowest level since September. . . . The decline in February followed five consecutive months of growth.”

Census Bureau

Wednesday, [Business Formation Statistics](#): “Business Applications for March 2021, adjusted for seasonal variation, were 440,165, an increase of 3.4 percent compared to February 2021. Projected Business Formations (within 4 quarters) for March 2021, adjusted for seasonal variation, were 32,614, an increase of 4.1 percent compared to February 2021.”

Business Applications - At a Glance

						
		US	Northeast	Midwest	South	West
Total	MAR 2021	440,165	65,051	74,710	205,161	95,243
	MAR 2021 / FEB 2021	+3.4%	+0.7%	+3.0%	+4.1%	+4.1%
High-Propensity	MAR 2021	153,186	23,722	25,779	66,350	37,335
	MAR 2021 / FEB 2021	+4.7%	+3.3%	+5.4%	+3.3%	+7.7%
With Planned Wages	MAR 2021	53,213	7,330	9,449	23,154	13,280
	MAR 2021 / FEB 2021	+3.6%	+3.1%	+1.8%	+3.5%	+5.5%
From Corporations	MAR 2021	52,099	10,419	6,409	18,837	16,434
	MAR 2021 / FEB 2021	+5.7%	+4.4%	+2.0%	+0.8%	+14.5%

Details may not equal totals due to rounding. Regions defined by Census Bureau Geography Program. Statistical significance is not applicable or not measurable. Data adjusted for seasonality. Green Percentage changes are greater than zero (+). Red Percentage changes are less than zero (-). Z = absolute value < 0.05.

Thursday, [Advance Monthly Sales for Retail and Food Services](#): “Advance estimates of U.S. retail and food services sales for March 2021 . . . were \$619.1 billion, an increase of 9.8 percent from the previous month, and 27.7 percent above March 2020. Total sales for the January 2021 through March 2021 period were up 14.3 percent from the same period a year ago. . . . Retail trade sales were up 9.4 percent from February 2021, and up 26.9 percent above last year. Motor vehicle and parts dealers were up 71.1 percent from March 2020, while food services and drinking places were up 36.0 percent from last year.”

Thursday, [Manufacturing and Trade Inventories and Sales](#): “The combined value of distributive trade sales and manufacturers’ shipments for February . . . was estimated at \$1,549.6 billion, down 1.9 percent from January 2021, but was up 5.7 percent from February 2020. Manufacturers’ and trade inventories for February, [seasonally] adjusted . . . , were estimated at an end-of-month level of \$2,010.8 billion, up 0.5 percent from January 2021, but were down 0.7 percent from February 2020.”

Friday, [New Residential Construction](#): “Privately-owned housing units authorized by building permits in March were at a seasonally adjusted annual rate of 1,766,000. This is 2.7 percent above the revised February rate of 1,720,000 and is 30.2 percent above the March 2020 rate of 1,356,000. . . . Housing starts in March were at a seasonally adjusted annual rate of 1,739,000. This is 19.4 percent above the revised February estimate of 1,457,000 and is 37.0 percent above the March 2020 rate of 1,269,000. . . . Completions in March were at a seasonally adjusted annual rate of 1,580,000. This is 16.6 percent above the revised February estimate of 1,355,000 and is 23.4 percent above the March 2020 rate of 1,280,000.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims Report](#): “In the week ending April 10, the advance figure for seasonally adjusted initial claims was 576,000, a decrease of 193,000 from the

previous week’s revised level. This is the lowest level for initial claims since March 14, 2020 when it was 256,000. . . . The 4-week moving average was 683,000, a decrease of 47,250 from the previous week’s revised average. This is the lowest level for this average since March 14, 2020 when it was 225,500.” For Tennessee, the unadjusted advance figure for initial claims in the week ending April 10 was 10,869, a decrease of 538 from the previous week.

Tennessee: Total Claims for the Week Ending March 27 (not seasonally adjusted)

44,668	State Insured Unemployment
70	Unemployment Compensation program for Federal Employees (UCFE)
71	Unemployment Compensation for Ex-servicemembers (UCX)
61,308	Pandemic Unemployment Assistance (PUA) Continued Claims
63,355	Pandemic Emergency Unemployment Compensation (PEUC) Claims
49	Extended Benefits (EB) Claims
169,521	

Federal Reserve Board

Wednesday, [The Beige Book](#): “National economic activity accelerated to a moderate pace from late February to early April. Consumer spending strengthened. Reports on tourism were more upbeat, bolstered by a pickup in demand for leisure activities and travel which contacts attributed to spring break, an easing of pandemic-related restrictions, increased vaccinations, and recent stimulus payments among other factors. . . . Despite widespread supply chain disruptions, manufacturing activity expanded further with half the Districts citing robust growth. Bankers in most reporting Districts saw modest to moderate increases in overall loan volumes. . . . The pace of job growth varied by industry but was generally strongest in manufacturing, construction, and leisure and hospitality. Hiring remained a widespread challenge, particularly for low-wage or hourly workers, restraining job growth in some cases. . . . Input costs rose across the board, but especially in the manufacturing, construction, retail, and transportation sectors—specifically, metals, lumber, food, and fuel prices.”

Thursday, [Industrial Production and Capacity Utilization](#): “In March, total industrial production increased 1.4 percent. The gain in March followed a drop of 2.6 percent in February, which largely resulted from widespread outages related to severe winter weather in the south central region of the country. For the first quarter as a whole, total industrial production rose 2.5 percent at an annual rate. . . . Total industrial production in March was 1.0 percent higher than its year-earlier level, but it was 3.4 percent below its pre-pandemic (February 2020) level.”

Federal Reserve Bank of Chicago

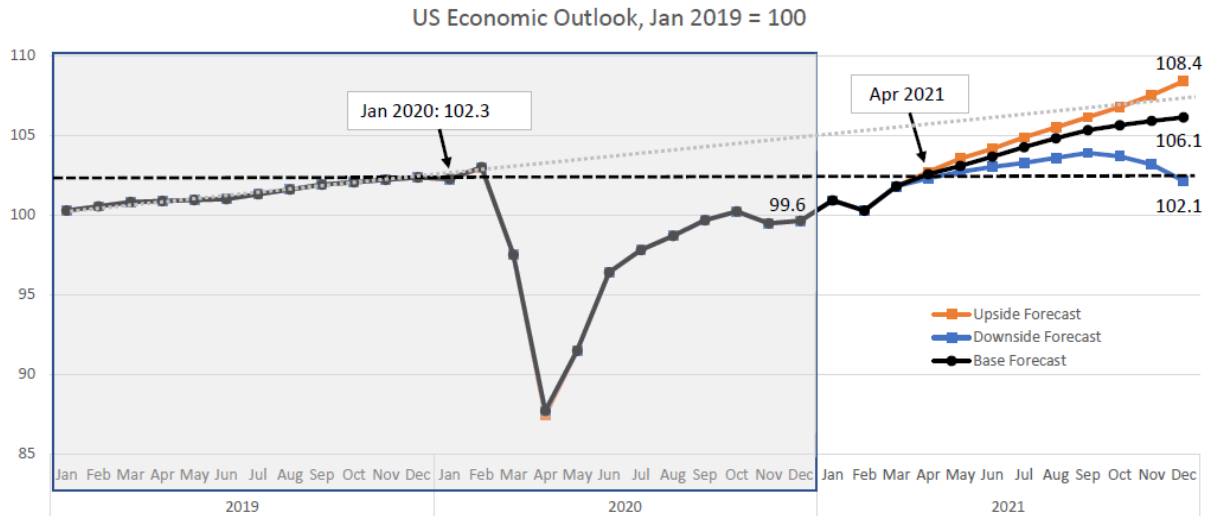
Monday, [Survey of Business Conditions Activity Index](#): “The Chicago Fed Survey of Business Conditions (CFSBC) Activity Index increased to +25 in March from –6 in February, suggesting that economic growth was well above trend. . . . Eighty-three percent of respondents expected an increase in economic activity over the next 12 months, and 30 percent expected activity to return to its pre-pandemic level by the end of 2021.”

Economic Indicators and Confidence:

The Conference Board

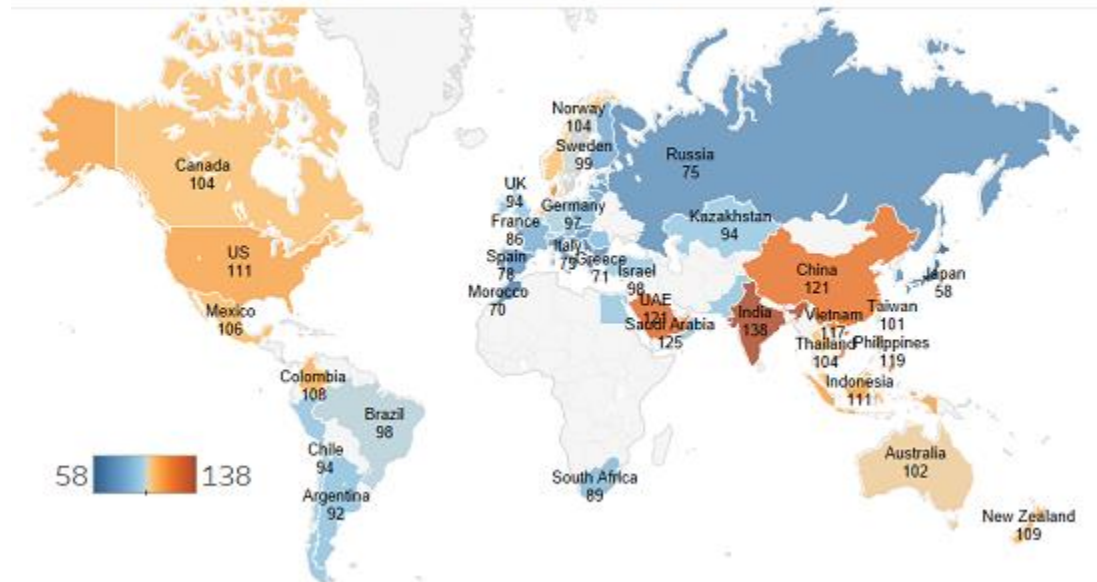
Wednesday, [Economic Forecast for the U.S. Economy](#): “The Conference Board forecasts that U.S. Real GDP growth will rise to 5.0 percent (annualized rate) in Q1 21 and 6.0 percent (year-over-year)

in 2021. Following a lull in the economic recovery in November and December, growth improved in January before stalling in February due to adverse weather conditions. In March, however, the economic recovery continued to strengthen. We expect real GDP growth to accelerate further over the coming quarters as new COVID-19 infection rates decline further, the vaccination program continues to expand, and a large fiscal support program is fully deployed. Following a robust recovery in 2021, we forecast economic growth of 3.5 percent (year-over-year) in 2022.”



Wednesday, [Global Consumer Confidence Survey](#): “Global consumer confidence soared to record heights in the first quarter of 2021 . . . as vaccination campaigns broadened, travel restrictions loosened, and governments and central banks continued to provide economic stimulus. . . . Confidence rose in 49 of 65 markets surveyed, as economic activity resumed, COVID-19 cases peaked in many economies, and vaccine development and distribution expanded.”

GLOBAL CONSUMER CONFIDENCE INDEX, 2021 Q1: 108



Federal Reserve Bank of New York

Monday, [Survey of Consumer Expectations](#): Data from the March 2021 survey show “a continuation in the recent upward trend in inflation, home price and spending growth expectations. In particular, expectations about home, gas, and rent price changes all reached new series highs in March. Labor market expectations continued to recover with higher expectations about job security and improved unemployment expectations. Finally, households were more positive about their current and expected financial situation and their ability to access credit.”

University of Michigan

Friday, [Index of Consumer Sentiment \(preliminary\)](#): “Consumers in early April reported surging economic growth and strong job gains due to record stimulus spending, low interest rates, and the positive impact of vaccinations,” says Surveys of Consumers chief economist, Richard Curtin. “The Sentiment Index rose to its best level in a year on the strength of recent gains in current economic conditions, while future economic prospects remained unchanged from March. . . . The strength in current economic conditions reflects much larger than usual stimulus payments during the past year, and much larger than usual economic gains due to comparisons with last year’s shutdowns.”

Preliminary Results for April 2021

	Apr	Mar	Apr	M-M	Y-Y
	2021	2021	2020	Change	Change
Index of Consumer Sentiment	86.5	84.9	71.8	+1.9%	+20.5%
Current Economic Conditions	97.2	93.0	74.3	+4.5%	+30.8%
Index of Consumer Expectations	79.7	79.7	70.1	0.0%	+13.7%

Employment and Businesses:

National Federation of Independent Business

Tuesday, [Small Business Optimism Index](#): “The NFIB Small Business Optimism Index rose 2.4 points in March to 98.2. March’s reading is the first return to the average historical reading since last November. The NFIB Uncertainty Index increased six points to 81, which was primarily driven by owners being more uncertain about whether it is a good time to expand their business and make capital expenditures in the coming months.”

Mortgages and Housing Markets:

Freddie Mac

Wednesday, [Quarterly Forecast](#): “The average 30-year fixed-rate mortgage is expected to be 3.2 percent in 2021 and 3.7 percent in 2022. House price growth is expected to be 6.6 percent in 2021, slowing to 4.4 percent in 2022. Home sales are expected to reach 7.1 million in 2021, falling to 6.7 million homes in 2022.”

Thursday, [Primary Mortgage Market Survey](#): “‘Mortgage rates took another dip this week as the 30-year fixed-rate mortgage decreased by almost ten basis points, week over week,’ said Sam Khater, Freddie Mac’s Chief Economist. ‘The economy is improving on the demand side and on the supply side, a variety of goods and materials remain scarce. As a result of this imbalance, pricing pressures are building and causing inflation to rise. Despite the pause in mortgage rates recently, we expect them to

increase modestly for the remainder of this year.” The average rate for a 30-year fixed-rate mortgage decreased to 3.04 percent from 3.13 percent one week earlier and down from 3.31 percent a year ago.

Mortgage Bankers Association

Monday, [Forbearance and Call Volume](#): “The total number of loans now in forbearance decreased by 24 basis points from 4.90% of servicers’ portfolio volume in the prior week to 4.66% as of April 4, 2021. According to MBA’s estimate, 2.3 million homeowners are in forbearance plans.” According to Mike Fratantoni, MBA’s Senior Vice President and Chief Economist, “The share of loans in forbearance decreased for the sixth straight week, dropping by 24 basis points—one of the largest decreases in the history of the series.”

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications decreased 3.7 percent from one week earlier, according to data from . . . the week ending April 9, 2021.” According to Joel Kan, MBA’s Associate Vice President of Economic and Industry Forecasting, “The third straight week of declining purchase activity is a sign that rising home prices and tight supply are constraining home sales—especially in the lower price tiers. Purchase applications were still above last year’s pandemic-impacted low point, but fell behind the level of activity seen the same week in 2019.”

Thursday, [Builder Application Survey](#): “Data for March 2021 shows mortgage applications for new home purchases increased 7 percent compared from a year ago. Compared to February 2021, applications increased by 12 percent.” According to Joel Kan, MBA’s Associate Vice President of Economic and Industry Forecasting, “With home-price appreciation remaining elevated in many markets, the average loan size for a new home purchase reached \$374,000 in March, the highest in our survey.”

National Association of Home Builders

Thursday, [NAHB/Wells Fargo Housing Market Index](#): “Builder confidence in the market for newly built single-family homes rose one point to 83 in April. ‘Despite strong buyer traffic, builders continue to face challenges to add much needed housing supply to the market,’ said NAHB Chairman Chuck Fowke. . . . ‘The supply chain for residential construction is tight, particularly regarding the cost and availability of lumber, appliances, and other building materials.’ . . . The HMI index gauging current sales conditions increased one point to 88 and the gauge charting traffic of prospective buyers posted a three-point gain to 75. The component measuring sales expectations in the next six months fell two points to 81.”