

Economic Update, April 24, 2020
Submitted by Dave Keiser

Summary: As data from the pandemic begin to filter through more reports, they paint a dismal picture. The Chicago Federal Reserve Bank sees an increased likelihood of recession, after production and employment declined in March. Orders for durable goods, led by transportation, were down 14.4 percent since February. Manufacturing and services industries saw large decreases because of measures taken to contain the COVID-19 pandemic. Consumer sentiment is down. Home sales are down. Mortgage rates stabilized, but mainly because the future is uncertain. Naturally, the percentage of homeowners requesting forbearance from lenders on their mortgages was up in early April, as people called their lenders when they lost their jobs. Another 4.4 million people lost their job last week in the U.S., including almost 69,000 Tennesseans. A [recent study on low-wage parents](#) provides a unique lens into how they are struggling during this pandemic.

Federal Government Indicators and Reports:

Bureau of Labor Statistics

Tuesday, [Employment Characteristics of Families](#): “In 2019, 4.9 percent of families included an unemployed person, down from 5.2 percent in 2018. . . . The number of families with at least one member unemployed decreased by 224,000 to 4.1 million in 2019. . . . (This is the lowest proportion since 1994, the first year for which comparable data are available.) In 2019, the proportion of families with an unemployed person was down for White (4.5 percent), Black (7.9 percent), Asian (4.1 percent), and Hispanic (6.6 percent) families.”

Bureau of Transportation Statistics

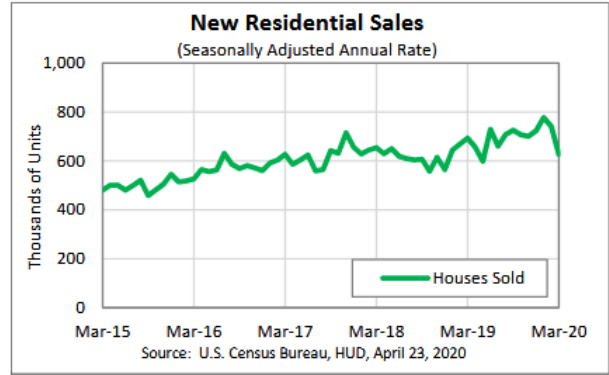
Tuesday, [North American Transborder Freight](#): Total transborder freight moved by all modes of transportation between the U.S. and other North American countries (Canada and Mexico) was \$95.9 billion, up 1.9 percent compared to February 2019. Trucks and railways moved the majority of the freight—trucks moved \$60.8 billion (up 0.9 percent) and railways moved \$14.4 billion (up 10.3 percent).

Wednesday, [U.S. Airline Cargo](#): “U.S. airlines carried 0.4% less cargo by weight in February 2020 than in February 2019. . . . February 2020 would be the fifth month in the last six that the total weight of cargo on U.S. airlines declined from the same month of the previous year. The 0.4% decrease from February 2019 was the smallest of the five year-to-year declines stretching back to September 2019.”

Census Bureau

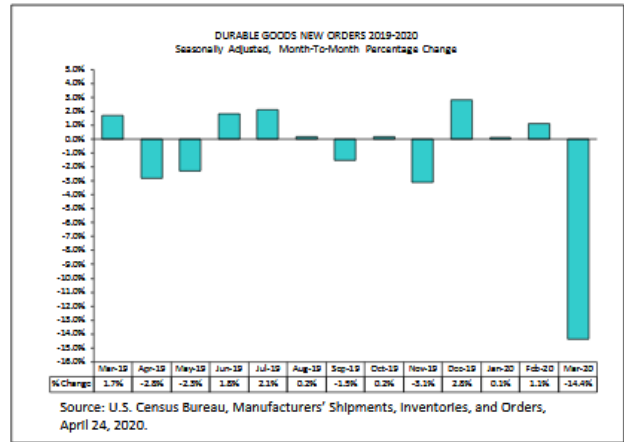
Thursday, [New Residential Sales](#): “Sales of new single-family houses in March 2020 were at a seasonally adjusted annual rate of 627,000. . . . This is 15.4 percent below the revised February rate of 741,000 and is 9.5 percent below the March 2019 estimate of 693,000. The median sales price of new houses sold in March 2020 was \$321,400. The average sales price was \$375,300. The seasonally-adjusted estimate of new houses for sale at the end of March was 333,000. This represents a supply of 6.4 months at the current sales rate.”

NEW RESIDENTIAL SALES MARCH 2020	
New Houses Sold ¹ :	627,000
New Houses For Sale ² :	333,000
Median Sales Price:	\$321,400
Next Release: May 26, 2020	
¹ Seasonally Adjusted Annual Rates	
² Seasonally Adjusted	
Source: U.S. Census Bureau, HUD, April 23, 2020	



Friday, [Advanced Report on Durable Goods](#): “New orders for manufactured durable goods in March decreased \$36.0 billion or 14.4 percent to \$213.2 billion. . . . Transportation equipment, down two of the last three months, led the decrease, \$35.6 billion or 41.0 percent to \$51.2 billion. Shipments of manufactured durable goods in March, down eight of the last nine months, decreased \$11.4 billion or 4.5 percent to \$240.7 billion. . . . Unfilled orders for manufactured durable goods in March, down following three consecutive monthly increases, decreased \$23.4 billion or 2.0 percent to \$1,135.2 billion. . . . Inventories of manufactured durable goods in March, up eighteen of the last nineteen months, increased \$2.7 billion or 0.6 percent to \$437.4 billion.”

DURABLE GOODS – NEW ORDERS		
MARCH 2020	\$213.2 billion	-14.4% ^o
FEBRUARY 2020 (revised)	\$249.2 billion	+1.1% ^o
Next release: May 28, 2020		
Data adjusted for seasonal variation but not for price changes.		
^o Statistical significance is not measurable for this survey. The Manufacturers' Shipments, Inventories, and Orders estimates are not based on a probability sample, so the sampling error of these estimates cannot be measured nor can the confidence intervals be computed.		
Source: U.S. Census Bureau, Manufacturers' Shipments, Inventories and Orders, April 24, 2020.		



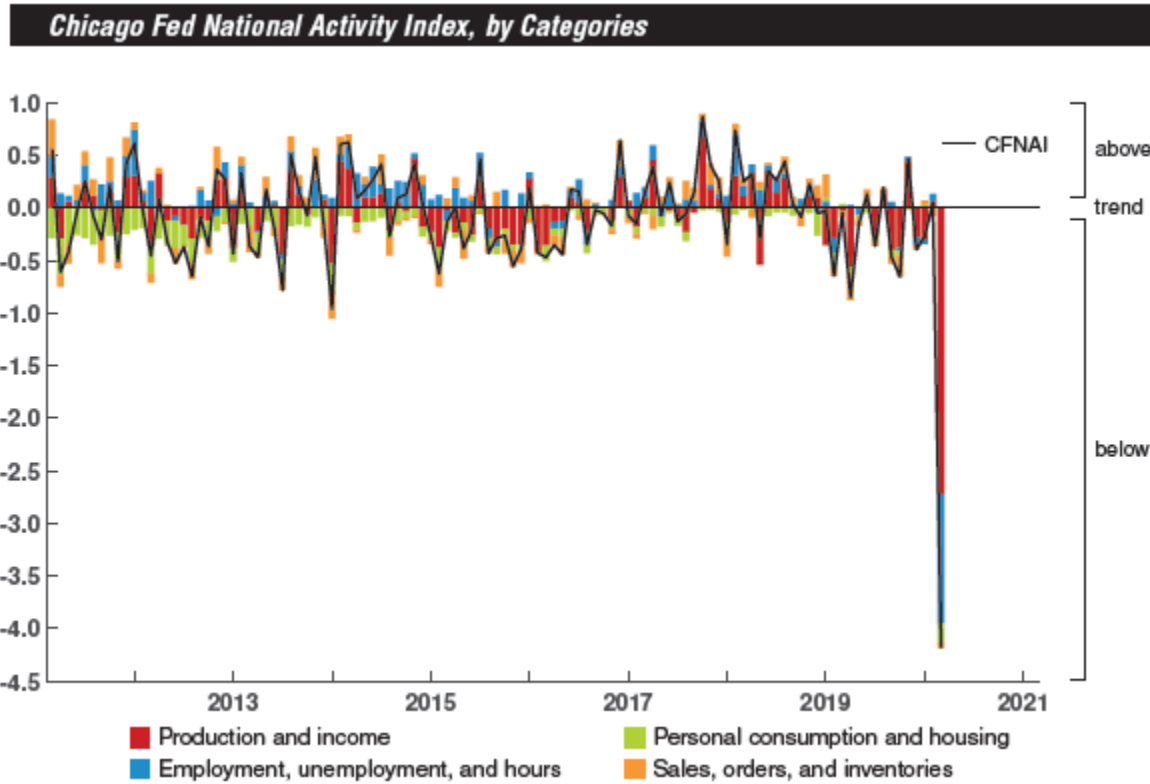
Department of Labor

Thursday, [Initial Unemployment Claims](#): “In the week ending April 18, the advance figure for seasonally adjusted initial claims was 4,427,000, a decrease of 810,000 from the previous week's revised level. . . . The 4-week moving average was 5,786,500, an increase of 280,000 from the previous week's revised average. . . . The advance seasonally adjusted insured unemployment rate was 11.0 percent for the week ending April 11, an increase of 2.8 percentage points from the previous week's unrevised rate. This marks the highest level of the seasonally adjusted insured unemployment rate in the history of the seasonally adjusted series.” In Tennessee, 68,968 people filed for unemployment, down 4.1 percent from the prior week's 71,887 initial claims.

Federal Reserve Bank of Chicago

Monday, [National Activity Index](#): “Led by declines in production and employment-related indicators, the Chicago Fed National Activity Index (CFNAI) fell to -4.19 in March from +0.06 in February. All four broad categories of indicators used to construct the index made negative contributions in

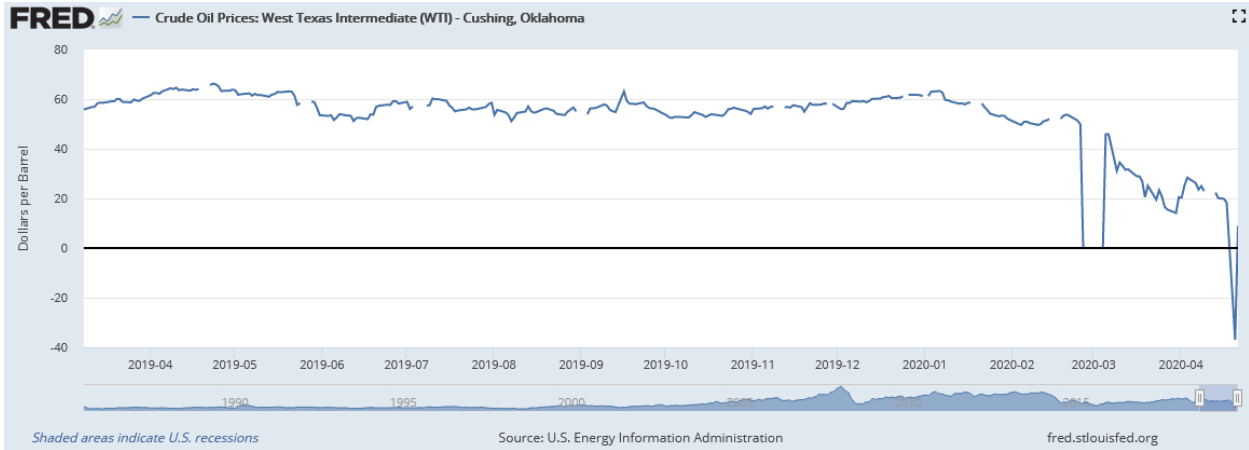
March, and three of the four categories decreased from February. The index's three-month moving average, CFNAI-MA3, decreased to -1.47 in March from -0.20 in February. Following a period of economic expansion, an increasing likelihood of a recession has historically been associated with a CFNAI-MA3 value below -0.70 ."



Wednesday, [National Financial Conditions Index](#): "The NFCI was -0.15 in the week ending April 17, down from a revised -0.11 (initially reported as -0.02). Risk indicators contributed 0.02 , credit indicators contributed -0.10 , and leverage indicators contributed -0.06 to the index in the latest week."

U.S. Energy Information Administration

Wednesday, [Weekly Petroleum Report](#): "U.S. crude oil refinery inputs averaged 12.5 million barrels per day during the week ending April 17, 2020 which was 209,000 barrels per day less than the previous week's average. Refineries operated at 67.6% of their operable capacity last week. Gasoline production increased last week, averaging 6.2 million barrels per day. . . . U.S. crude oil imports averaged 4.9 million barrels per day last week, decreased by 0.7 million barrels per day from the previous week. Over the past four weeks, crude oil imports averaged about 5.6 million barrels per day, 15.0% less than the same four-week period last year." On Monday, West Texas Intermediate Crude Oil crashed and went negative as producers had to pay people to take their oil as consumer demand came to a crawl because of the pandemic.

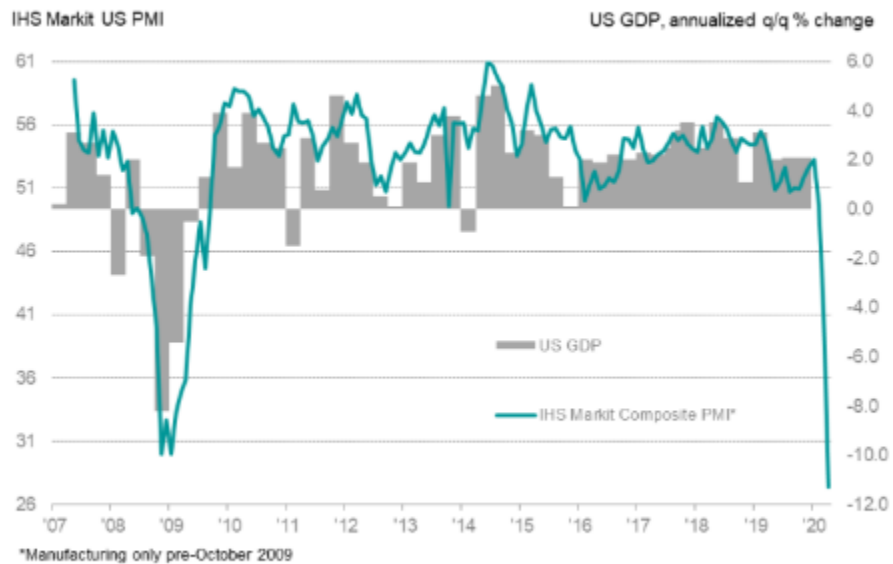


Economic Indicators and Confidence:

IHS Markit

Thursday, [U.S. Composite Purchasing Managers' Index \(PMI\)](#): “Private sector firms in the U.S. signaled an unprecedented decline in business activity in April, with manufacturing and service sector companies registering marked contractions of output amid the outbreak of coronavirus disease 2019 (COVID-19). Adjusted for seasonal factors, the IHS Markit Flash U.S. Composite PMI Output Index posted 27.4 in April, down from 40.9 in March, to signal the fastest reduction in private sector output since the series began in late-2009.”

IHS Markit Composite PMI and U.S. GDP

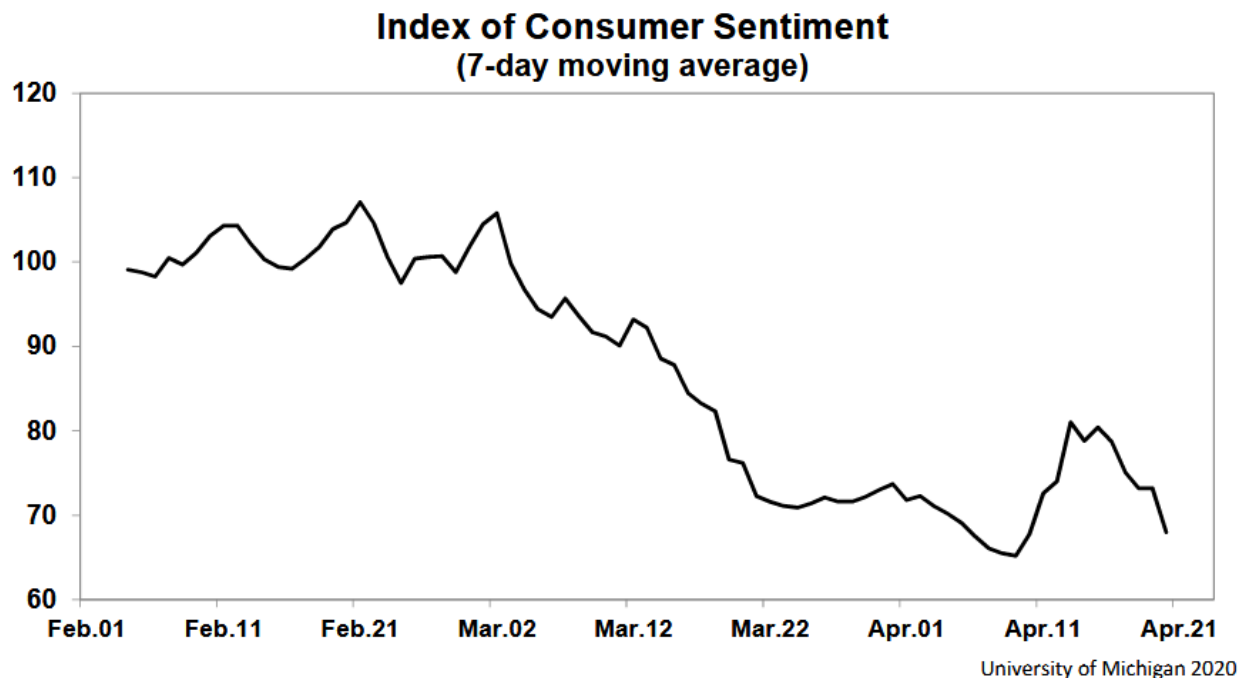


Sources: IHS Markit, U.S. Bureau of Economic Analysis

University of Michigan

Friday, [Consumer Sentiment](#): “April’s final Sentiment Index reading remained largely unchanged from the mid-month figure (+0.8 points), and households with below median incomes expressed the same level of confidence as those with above median incomes (71.9). This merging reflects somewhat

larger April declines among households with above median incomes (-19.8 points) compared with those with below median incomes (-14.0). The seven-day moving average of the Index of Consumer Sentiment indicated a second larger improvement that was quickly reversed (see the featured chart); its cause could not be linked to any direct judgements about the coronavirus.”



Employment and Businesses:

Challenger, Gray, & Christmas

Tuesday, [COVID-19 Business Survey](#): “Human Resources executives nationwide are contemplating when and how they will reopen work sites. The majority will keep their COVID plans, which include working from home and closing non-essential businesses, in place until experts agree it is safe, while 24% plan for the crisis to keep businesses closed for 1 to 3 months. . . . Another 7% of businesses are planning to keep plans in place for 3 to 6 months, and 4% plan to on the crisis lasting through the end of the year. Only 2% believe they can remove precautions in a matter of weeks.”

Mortgages and Housing Markets:

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “‘Mortgage rates have stabilized over the last few weeks as the market searches for direction in the fog of economic data,’ said Sam Khater, FreddieMac’s Chief Economist. ‘While financial markets initially rallied on the news of Federal Reserve support and are improving due to the Senate’s passage of a new small business stimulus, we continue to see a deep economic contraction amidst uncertainty about the recovery formation.’”

Mortgage Bankers Association

Monday, [Forbearance and Call Volume Survey](#): The latest survey “revealed that the total number of loans now in forbearance jumped from 3.74% of servicers’ portfolio volume in the prior week to 5.95% as of April 12, 2020. . . . ‘With over 22 million Americans filing for unemployment over the past

month, homeowners are contacting their mortgage servicers seeking relief, leading to a sharp increase in the share of loans in forbearance across all loan types,' said Mike Fratantoni, MBA's Senior Vice President and Chief Economist. 'Mortgage servicers continue to receive a very high level of forbearance requests, but volumes were down somewhat compared to the prior week. Given that lockdowns and associated job losses will continue in the coming weeks, forbearance inquiries will likely rise again as we approach May payment due dates. Borrowers facing COVID-19-related hardships should contact their servicer to review all of their options.'"

Wednesday, [Mortgage Applications](#): "The Market Composite Index, a measure of mortgage loan application volume, decreased 0.3 percent on a seasonally adjusted basis from one week earlier. On an unadjusted basis, the Index increased 0.1 percent compared with the previous week. The Refinance Index decreased 1 percent from the previous week and was 225 percent higher than the same week one year ago."

National Association of Home Builders

Thursday, [New Home Sales](#): "Despite a strong start for 2020, new home sales weakened significantly in March due to challenges associated with COVID-19. Contracts for new, single-family home sales declined in March by 15.4% to a 627,000 seasonally adjusted annual rate. . . . NAHB expects further declines in a challenging April, which has seen 26 million job losses in recent weeks."

