

Economic Update, May 7, 2021
Submitted by Bob Moreo

Summary: “A huge disappointment,” is how one economist described Friday’s lackluster employment report. “The US created just 266,000 new jobs in April,” [MarketWatch reported](#), noting that “economists surveyed by Dow Jones and The Wall Street Journal had estimated 1 million new jobs.” The Bureau of Labor Statistics report showed employment remains down by 8.2 million, or 5.4%, from its pre-pandemic level in February 2020. [US Secretary of Labor Marty Walsh commented](#), however, that “labor force participation is at its highest point since last August and the number of people expressing hesitancy about returning to work due to the coronavirus is at its lowest point in the pandemic.” Earlier in the week, the ADP *National Employment Report* showed a gain of 742,000 jobs in April, which, although the best month since September 2020, fell short of expectations too, [according to Yahoo!Finance](#). Business activity gained momentum from March to April, so hopefully increasing demand will lead to more job creation in the months to come.

Federal Government Indicators and Reports:

Bureau of Economic Analysis

Tuesday, [US International Trade](#): “The goods and services deficit was \$74.4 billion in March, up \$3.9 billion from \$70.5 billion in February, revised. March exports were \$200.0 billion, \$12.4 billion more than February exports. March imports were \$274.5 billion, \$16.4 billion more than February imports. . . . The average goods and services deficit increased \$2.5 billion to \$70.9 billion for the three months ending in March.”

Bureau of Labor Statistics

Thursday, [Productivity and Costs](#): “Nonfarm business sector labor productivity increased 5.4% in the first quarter of 2021, . . . as output increased 8.4% and hours worked increased 2.9%. (Seasonally adjusted annual rates.) From the first quarter of 2020 to the first quarter of 2021, nonfarm business sector labor productivity increased 4.1%, reflecting a 1.1% increase in output and a 2.9-percent decline in hours worked. . . . Following strong growth in the fourth quarter of 2020, manufacturing output and hours worked saw more modest growth rates in the first quarter of 2021. As such, these measures have not yet fully recovered from the historic declines of the second quarter of 2020.”

Friday, [Employment Situation](#): “Total nonfarm payroll employment rose by 266,000 in April, and the unemployment rate was little changed at 6.1%.” Household survey data showed “the number of unemployed persons, at 9.8 million, [was] little changed in April,” and both the number and rate of unemployment “remain well above their levels prior to the coronavirus (COVID-19) pandemic (3.5% and 5.7 million, respectively, in February 2020).

“The number of long-term unemployed (those jobless for 27 weeks or more), at 4.2 million, was essentially unchanged in April but is 3.1 million higher than in February 2020. These long-term unemployed accounted for 43.0% of the total unemployed in April. The labor force participation rate was little changed at 61.7% in April and is 1.6 percentage points lower than in February 2020. . . . The number of persons employed part time for economic reasons decreased by 583,000 to 5.2 million in April . . . [reflecting] a drop in the number of people whose hours were cut due to slack work or business conditions . . . [and] the number of persons not in the labor force who currently want a job was 6.6 million, little changed over the month but up by 1.6 million since February 2020.”

Chart 1. Unemployment rate, seasonally adjusted, April 2019 – April 2021

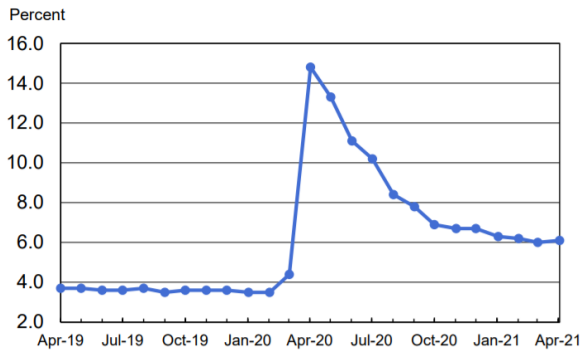
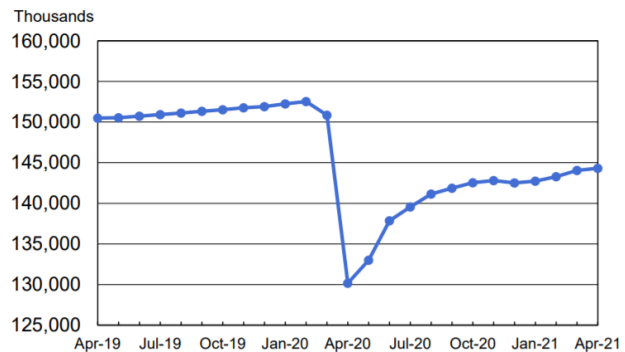


Chart 2. Nonfarm payroll employment, seasonally adjusted, April 2019 – April 2021



Bureau of Transportation Statistics

Thursday, [US Airline Employment](#): “U.S. airlines employed 713,035 workers in March 2021, 221 fewer than in February 2021 (713,256) and 42,060 fewer than in March 2020 (755,095). . . . United Airlines reported 2,767 fewer employees in March than in February. Without United’s decrease, other airlines reported a combined increase in employees from February to March.”

Census Bureau

Monday, [Construction Spending](#): “[Total] construction spending during March 2021 was estimated at a seasonally adjusted annual rate of \$1,513.1 billion, 0.2% above the revised February estimate of \$1,509.9 billion. The March figure is 5.3% above the March 2020 estimate of \$1,436.7 billion. During the first three months of this year, construction spending amounted to \$328.3 billion, 4.5% above the \$314.1 billion for the same period in 2020. . . . [Private] residential construction was at a seasonally adjusted annual rate of \$725.2 billion in March, 1.7% above the revised February estimate of \$713.1 billion.”

Tuesday, [Manufacturers’ Shipments, Inventories, and Orders](#): “New orders for manufactured goods in March, up ten of the last eleven months, increased \$5.8 billion or 1.1% to \$512.9 billion, . . . [following] a 0.5% February decrease. Shipments, also up ten of the last eleven months, increased \$10.8 billion or 2.1% to \$513.6 billion. This followed a 1.9% February decrease. . . . Inventories, up seven of the last eight months, increased \$5.2 billion or 0.7% to \$707.7 billion. This followed a 0.8% February increase.

“New orders for manufactured durable goods in March, up ten of the last eleven months, increased \$2.0 billion or 0.8% to \$256.9 billion,” led by a \$1.4 billion (4.0%) increase in orders for fabricated metal products, which have gone up six of the last seven months. A \$3.8 billion (4.9%) increase in transportation equipment shipments, up six of the last seven months, led the way for a \$7.0 billion (2.8%) increase in shipments of manufactured durable goods in March.

Friday, [Monthly Wholesale Trade](#): “March 2021 sales of merchant wholesalers, . . . were \$567.9 billion, up 4.6% from the revised February level and were up 19.0% from the revised March 2020 level. . . . Total inventories . . . were \$693.6 billion at the end of March, up 1.3% from the revised February level [and] up 4.5% from the revised March 2020 level.” Greg Michalowski at [forexlive.com](#) noted the 1.22 inventory-to-sales ratio “is the lowest going back to 2014 as sales sop up inventories,” adding that “supply chains are certainly an issue in the recovery as manufacturers adjust to post pandemic life.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending May 1, the advance figure for seasonally adjusted initial claims was 498,000, a decrease of 92,000 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 advance seasonally adjusted insured unemployment rate was 2.6% for the week ending April 24, unchanged from the previous week's unrevised rate. The advance number for seasonally adjusted insured unemployment during the week ending April 24 was 3,690,000, an increase of 37,000 from the previous week's revised level. . . . The total number of continued weeks claimed for benefits in all programs for the week ending April 17 was 16,157,024, a decrease of 404,509 from the previous week.”

With a drop of 4,063 from the week prior, Tennessee was among the states with the largest decreases in initial claims for the week ending April 24. Advance claims for the week ending May 1 were 7,872, showing another decrease by nearly 2,000. The total number of continued weeks claimed in Tennessee for benefits in all programs for the week ending April 17 was about 170,000.

Federal Reserve Board

Wednesday, [Speech by Governor Michelle W. Bowman](#): Governor Bowman gave a speech titled, *The Economic Outlook and Implications for Monetary Policy*, in which she said, “the incoming data indicate that economic activity is on an upswing, and the risks of more negative outcomes—especially those from COVID-19—appear to be easing.” She said she expects “headline inflation measures will move above our long-run target of 2%,” due in part “to supply-chain bottlenecks in a number of areas, which in turn have pushed up prices for many goods,” but for now, “the risk that inflation remains persistently above our long-run target of 2% still appears small.”

[CNBC.com](#) summarized comments from several Fed members on Wednesday, “all of whom expressed comfort with the current policy stance,” with Fed Vice Chairman Richard Clarida saying in an interview that “he expects the economy to grow close to 7% for the full year, which would be the fastest pace since 1984.”

Economic Indicators and Confidence:

IHS Markit

Monday, [US Manufacturing PMI](#): “The seasonally adjusted IHS Markit US Manufacturing Purchasing Managers’ Index posted 60.5 in April, up from 59.1 in March and broadly in line with the earlier 'flash' estimate of 60.6. The PMI figure was the highest since data collection for the series began in May 2007 and signaled a marked expansion.” Chief Business Economist Chris Williamson said, “US manufacturers reported the biggest boom in at least 14 years during April. Demand surged at a pace not seen for 11 years amid growing recovery hopes and fresh stimulus measures. Supply chain delays worsened, however, running at the highest yet recorded by the survey, choking production at many companies.” Williamson believes “with confidence . . . buoyed by vaccine roll-outs and stimulus, further investment in production capacity should be seen in coming months, helping alleviate some of the price pressures.”

Wednesday, [US Services PMI and Composite Index](#): “The seasonally adjusted final IHS Markit US Services PMI Business Activity Index registered 64.7 at the start of the second quarter, up from 60.4 in March and higher than the earlier released 'flash' figure of 63.1 . . . the sharpest [increase] since data collection began in late-2009. Many firms noted that the expansion was linked to stronger client demand and a rise in new sales . . . commonly attributed to the relaxation of lockdown measures and further reopening of businesses, with client demand expanding. . . . On the price front, input costs faced

by service sector firms increased at an unprecedented rate in April. The substantial rise in cost burdens was often linked to hikes in supplier prices and greater transportation fees.

“The IHS Markit Composite PMI Output Index posted 63.5 in April, up from 59.7 in March, to signal the sharpest upturn in private sector output since data collection began in October 2009. The overall expansion was supported by faster growth in both manufacturing and service sector activity.”

Wednesday, [US Sector PMI](#): “April data pointed to strong rises in business activity across all seven broad categories monitored by the US Sector PMI series. The rate of activity growth accelerated since March in every sector except Healthcare, largely reflecting a boost from looser pandemic restrictions and subsequent reopening of consumer-facing areas of the economy. Survey respondents also commented on higher levels of business and consumer confidence due to a successful vaccine roll out.

“Financials (index at 70.2) was once again the best-performing area for business activity growth in April, followed by Technology (index at 66.1). . . . Consumer services saw by far the largest improvement in growth momentum, with the seasonally adjusted business activity index rising from 51.5 in March to 65.3 in April. . . . Industrials posted its fastest upturn in activity for almost seven years, with the speed of recovery remaining stronger than among producers of basic materials and consumer goods.”

Investor’s Business Daily

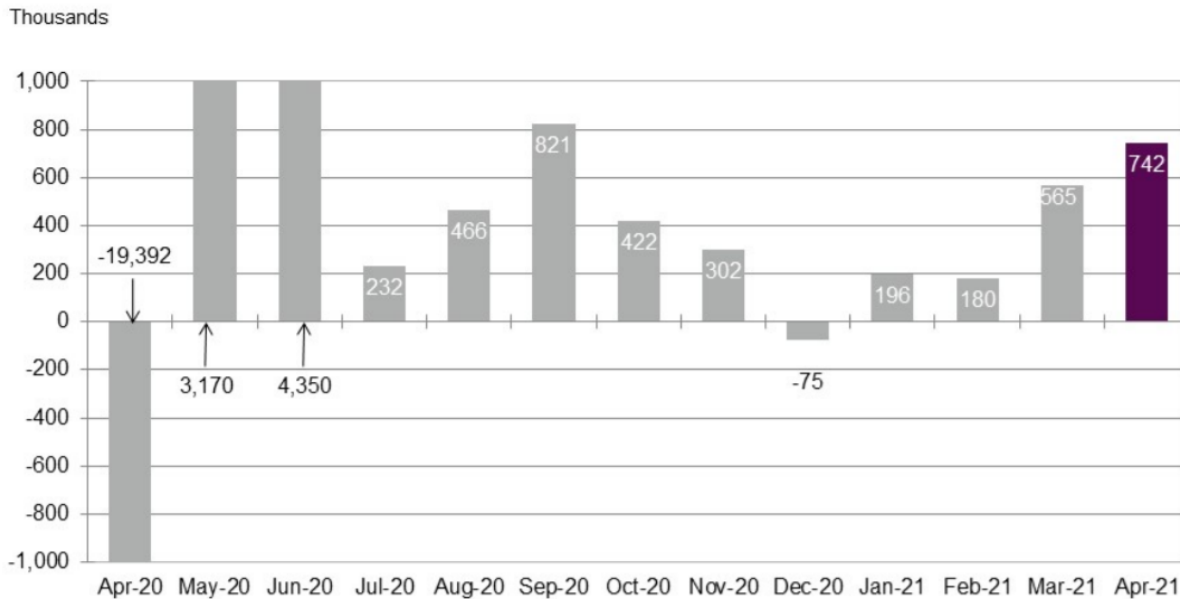
Tuesday, [Economic Optimism Index](#): “The IBD/TIPP Economic Optimism Index, an early monthly read on consumer confidence, slipped 2 points to 54.4 in May, after hitting a Covid-era high in April.” The index showed a divide in optimism between low- and high-income earners, “[rising] 2.6 points to 52.8 among those earning less than \$30,000 and nine-tenths of a point to 53.9 among the \$30,000-\$50,000 income group. Yet among those with incomes above \$75,000, optimism took its biggest monthly tumble since October 2013, sinking 9.5 points to 58.3, though that’s still solidly optimistic. . . . [Proposed] tax hikes and spending plans seemed to provoke a reaction. Among those earning at least \$75,000, IBD/TIPP’s gauge of satisfaction with federal economic policies tumbled 11 points to 56.3. Though still in positive territory, it was the biggest one-month dive since September 2004.”

Employment and Businesses:

ADP

Wednesday, [National Employment Report](#): “Private sector employment increased by 742,000 jobs from March to April. . . . ‘The labor market continues an upward trend of acceleration and growth, posting the strongest reading since September 2020,’ said Nela Richardson, chief economist, ADP. ‘Service providers have the most to gain as the economy reopens, recovers and resumes normal activities and are leading job growth in April. While payrolls are still more than 8 million jobs short of pre-COVID-19 levels, job gains have totaled 1.3 million in the last two months after adding only about 1 million jobs over the course of the previous five months.’”

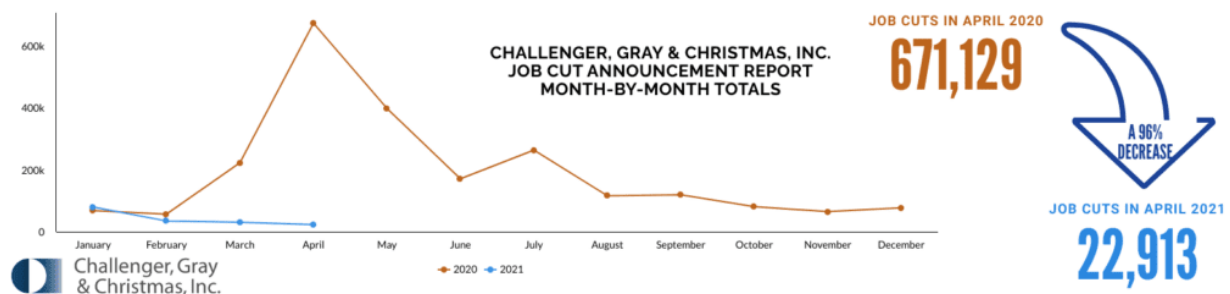
Chart 1. Change in Total Nonfarm Private Employment



Sources: ADP Research Institute®

Challenger, Gray, & Christmas

Thursday, [Job Cuts Report](#): “Job cuts announced by U.S.-based employers fell 25% in April to 22,913 from the 30,603 announced in March. Last month’s total is down 96.6% from last April, when employers announced 671,129 cuts, the highest monthly total on record. . . . April’s total is the lowest monthly total since June 2000, when 17,241 cuts were recorded. . . . According to Challenger tracking, not only are job cut plans lower, but hiring announcements have also fallen from pandemic highs. Through April 2021, employers have announced plans to add 392,578 jobs, a 68% decrease from the 1,221,680 announced through April last year.”



Institute for Supply Management

Monday, [ISM Report on Business—Manufacturing PMI](#): “The April Manufacturing PMI registered 60.7%, a decrease of 4 percentage points from the March reading of 64.7%. This figure indicates expansion in the overall economy for the 11th month in a row after contraction in April 2020. . . . Survey Committee Members reported that their companies and suppliers continue to struggle to meet increasing rates of demand due to coronavirus (COVID-19) impacts limiting availability of parts and materials. Recent record-long lead times, wide-scale shortages of critical basic materials, rising commodities prices and difficulties in transporting products are continuing to affect all segments of the

manufacturing economy. Worker absenteeism, short-term shutdowns due to part shortages, and difficulties in filling open positions continue to be issues that limit manufacturing-growth potential.”

Wednesday, [ISM Report on Business—Services PMI](#): “Economic activity in the services sector grew in April for the 11th month in a row, say the nation's purchasing and supply executives. . . . The Services PMI registered 62.7%, which is 1 percentage point lower than last month's all-time high of 63.7%. . . . Respondents' comments indicate that pent-up demand is continuing. Production-capacity constraints, material shortages, weather and challenges in logistics and human resources continue to affect deliveries, which has resulted in a reduction of inventories.”

National Federation of Independent Business

Thursday, [Small Business Job Openings](#): “A new NFIB's jobs report for April shows a record 44% of all small business owners report having job openings they could not fill, 22 points higher than the 48-year historical average, and two points higher than the 42% figure from March. April is the third consecutive month with a record-high reading of unfilled job openings among small businesses. . . . Overall, 59% of small business owners reported hiring or trying to hire in April, up three points from March's reading.”

Paychex | IHS Markit

Tuesday, [Small Business Employment Watch](#): “The Small Business Jobs Index increased 4.33% from March to 98.34 in April, a positive indicator of job growth returning to pre-pandemic levels. . . . The South leads all regions at 99.42. ‘A return to full employment is not complete. However, the Small Business Jobs Index returned to its pre-pandemic peak, seen in February 2020,’ said James Diffley, chief regional economist at IHS Markit. . . . Leisure and hospitality saw the greatest improvement among industry sectors, but construction still has the highest index at 100.72.”

Mortgages and Housing Markets:

Fannie Mae

Friday, [Home Purchase Sentiment Index](#): The index “decreased in April by 2.7 points to 79.0. Four of the HPSI's six components decreased month over month, most notably the component related to home-buying conditions, which turned net negative for the first time in the survey's history.” According to senior vice president and chief economist Doug Duncan, “Consumer sentiment toward buying homes reached the lowest level in our survey's ten-year history; unsurprisingly, respondents overwhelmingly cited the lack of supply and high home prices as primary reasons for their pessimism.”

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “30-year fixed-rate mortgage averaged 2.96% with an average 0.6 point for the week ending May 6, 2021, down from last week when it averaged 2.98%. A year ago at this time, the 30-year FRM averaged 3.26%.”

Housing and Urban Development

[National Housing Market Indicators](#): “National housing market indicators available as of April showed U.S. Department of Housing and Urban Development activity in housing markets overall improved. Housing market activity has been strong as buyers take advantage of near record-low mortgage rates.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications Survey](#): “Mortgage applications decreased 0.9% from one week earlier, according to data . . . for the week ending April 30, 2021.” According to Joel Kan, MBA's associate vice president of economic and industry forecasting, “both conventional and government purchase applications declined, but average loan sizes increased for each loan type. This is a sign that the competitive purchase market, driven by low housing inventory and high demand, is pushing prices higher and weighing down on activity.”