Economic Update, May 8, 2020
Submitted by Dave Keiser

Summary: The economic news is no better this week. The Federal Reserve Bank of St. Louis forecasts a 40 percent decrease in real GDP in the second quarter. In April, the unemployment rate reached its highest level and had its largest month-over-month increase since the Bureau of Labor Statistics began tracking seasonally adjusted data in 1948, while the business services and analytics firm ADP reports that job losses for April alone were more than double those lost during the entire Great Recession. Orders for manufactured goods fell sharply (10.3 percent) in March, and of the seven sectors of the U.S. economy included in IHS Markit's purchasing manager's index, only health care showed an increase in output or employment for April. Mortgage rates remain low, benefiting homeowners looking to refinance, though the number of home loans in forbearance increased again.

Federal Government Indicators and Reports:

Bureau of Economic Analysis

Tuesday, U.S. International Trade in Goods and Services: "The goods and services deficit was $44.4 billion in March, up $4.6 billion from $39.8 billion in February, revised. March exports were $187.7 billion, $20.0 billion less than February exports. March imports were $232.2 billion, $15.4 billion less than February imports. The March increase in the goods and services deficit reflected an increase in the goods deficit of $4.6 billion to $65.6 billion and a decrease in the services surplus of $0.1 billion to $21.2 billion. Year-to-date, the goods and services deficit decreased $28.1 billion, or 17.8 percent, from the same period in 2019. Exports decreased $21.7 billion or 3.5 percent. Imports decreased $49.7 billion or 6.4 percent."

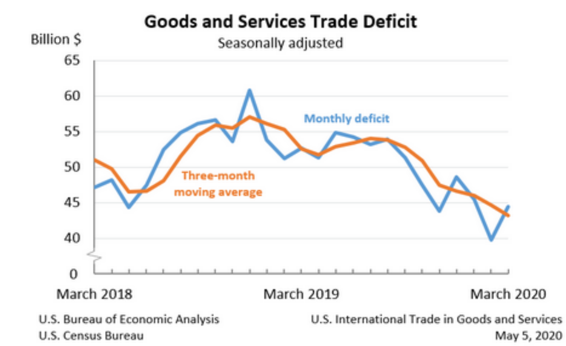
U.S. International Trade in Goods and Services Deficit

Deficit:	$44.4 Billion	+11.6%°
Exports:	$187.7 Billion	-9.6%°
Imports:	$232.2 Billion	-6.2%°

Next release: June 4, 2020

(°) Statistical significance is not applicable or not measurable.
Data adjusted for seasonality but not price changes

Source: U.S. Census Bureau, U.S. Bureau of Economic Analysis; U.S. International Trade in Goods and Services, May 5, 2020



Bureau of Labor Statistics

Thursday, Productivity and Costs: "Nonfarm business sector labor productivity decreased 2.5 percent in the first quarter of 2020 . . . as output decreased 6.2 percent and hours worked decreased 3.8 percent. . . . From the first quarter of 2019 to the first quarter of 2020, productivity increased 0.3 percent, reflecting a 0.1-percent increase in output and a 0.2-percent decrease in hours worked."

Friday, Employment Situation: "Total nonfarm payroll employment fell by 20.5 million in April, and the unemployment rate rose to 14.7 percent. . . . The changes in these measures reflect the effects of the coronavirus (COVID-19) pandemic and efforts to contain it. Employment fell sharply in all major industry sectors, with particularly heavy job losses in leisure and hospitality. . . . This is the highest rate and the largest over-the-month increase in the history of the series (seasonally adjusted data are available back to January 1948)."

Chart 1. Unemployment rate, seasonally adjusted,
April 2018 – April 2020

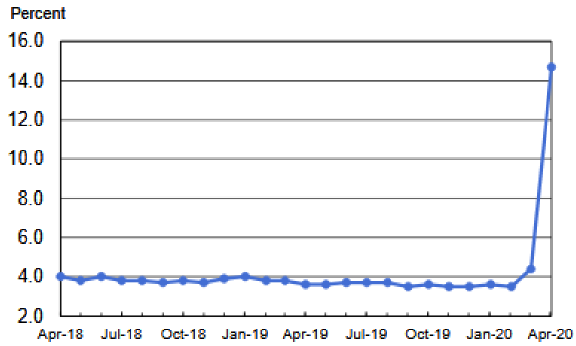
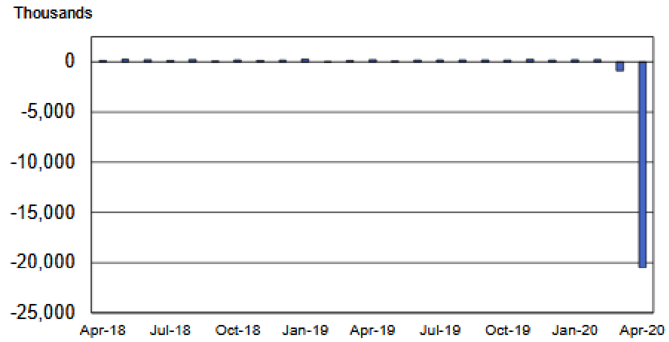


Chart 2. Nonfarm payroll employment over-the-month change,
seasonally adjusted, April 2018 – April 2020



Census Bureau

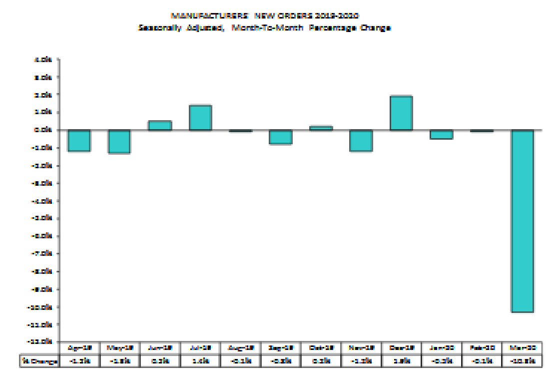
Monday, Manufacturers' Shipments, Inventories, and Orders: "New orders for manufactured goods in March, down four of the last five months, decreased $51.0 billion or 10.3 percent to $445.8 billion. . . . Shipments, down three consecutive months, decreased $26.2 billion or 5.2 percent to $473.6 billion. . . . Unfilled orders, down following three consecutive monthly increases, decreased $23.6 billion or 2.0 percent to $1,134.9 billion. . . . Inventories, down three consecutive months, decreased $5.8 billion or 0.8 percent to $693.5 billion."

MANUFACTURED GOODS – NEW ORDERS

MARCH 2020	**$445.8 billion**	**-10.3%°**
FEBRUARY 2020 (revised)	**$496.8 billion**	**-0.1%°**

Next release: June 3, 2020

Data adjusted for seasonal variation but not for price changes.
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, May 4, 2020.



Source: U.S. Census Bureau, Manufacturers' Shipments, Inventories, and Orders, May 4, 2020.

Friday, Wholesale Trade: "March 2020 sales of merchant wholesalers . . . were $475.0 billion, down 5.2 percent from the revised February level and were down 5.2 percent from the revised March 2019 level. . . . Total inventories of merchant wholesalers . . . were $650.7 billion at the end of March, down 0.8 percent from the revised February level. Total inventories were down 2.0 percent from the revised March 2019 level. . . . The March inventories/sales ratio for merchant wholesalers . . . was 1.37. The March 2019 ratio was 1.33."

Department of Labor

Thursday, Initial Unemployment Claims: "In the week ending May 2, the advance figure for seasonally adjusted initial claims was 3,169,000, a decrease of 677,000 from the previous week's revised level. . . . The 4-week moving average was 4,173,500, a decrease of 861,500 from the previous week's revised average. . . . The advance seasonally adjusted insured unemployment rate was 15.5 percent for the week ending April 25, an increase of 3.1 percentage points from the previous week's unrevised rate." Tennesseans filing for unemployment reached 37,319 in the week ending May 2, down 5,486 from the previous week. There were 333,528 Tennesseans on unemployment benefits reported during the week ending April 25.

Federal Reserve Bank of Atlanta

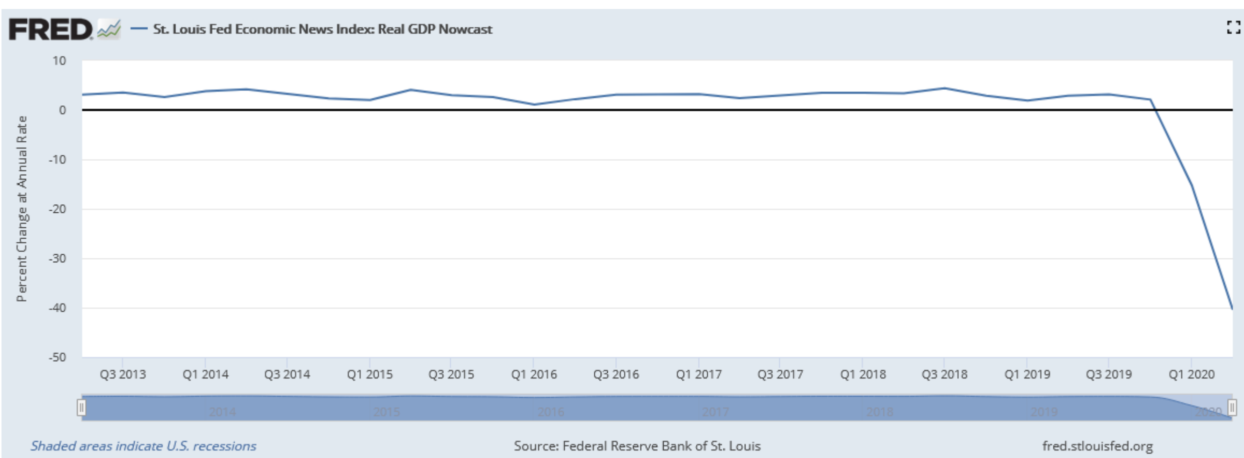
Monday, COVID-19 Survey of Communities: "A new report from the 12 Federal Reserve banks and the Board of Governors of the Federal Reserve System shows the scope and scale of challenges that U.S. communities are facing amid the COVID-19 pandemic." Nearly 7 out of 10 respondents indicated that COVID-19 has significantly disrupted economic conditions in their community. Seventy-two percent reported significant disruption to the nonprofit organization, financial institution, government agency, or other community organization they represent, and 41 percent of those affected think they will bounce back quickly after the recovery begins. Twenty-five percent of respondents believe they can operate for less than three months without exhibiting financial stress.

Federal Reserve Bank of Chicago

Wednesday, National Financial Conditions Index: "The NFCI decreased to –0.28 in the week ending May 1. Risk indicators contributed –0.11, credit indicators contributed –0.10, and leverage indicators contributed –0.08 to the index in the latest week. . . . Positive values of the NFCI have been historically associated with tighter-than-average financial conditions, while negative values have been historically associated with looser-than-average financial conditions."

Federal Reserve Bank of St. Louis

Friday, Real GDP Nowcast: The current forecast for the change in real GDP, based on content from key monthly economic data releases, shows a 40 percent decrease in GDP in the second quarter.



U.S. Energy Information Administration

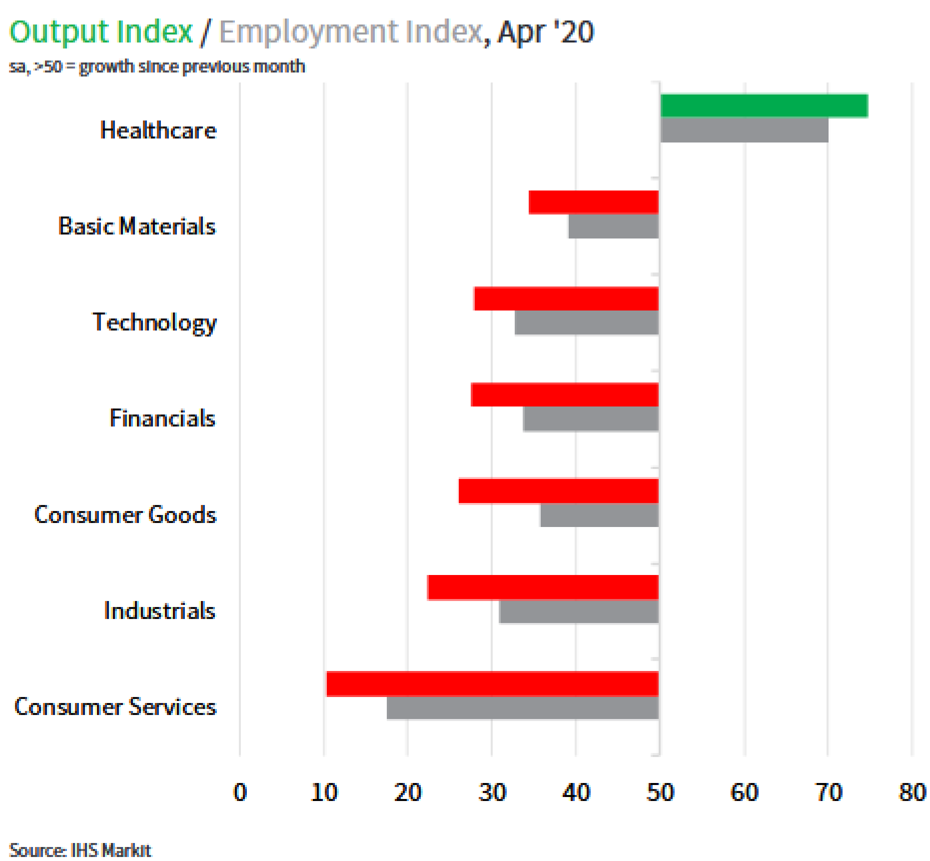
Wednesday, Weekly Petroleum Report: "U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) increased by 4.6 million barrels from the previous week. At 532.2 million barrels, U.S. crude oil inventories are about 12% above the five-year average for this time of year. . .. The West Texas Intermediate crude oil price was $19.72 per barrel on May 1, 2020, $3.73 above last week's price but $42.26 less than a year ago. . .. The national average retail regular gasoline price was $1.789 per gallon on May 4, 2020, $0.016 higher than last week's price but $1.108 under a year ago. The national average retail diesel fuel price was $2.399 per gallon, $0.038 per gallon below last week's level and $0.772 under a year ago."

Economic Indicators and Confidence:

IHS Markit

Monday, Global Manufacturing PMI: "The economic disruption resulting from the outbreak of coronavirus disease 2019 (COVID-19) continued to hit global industry hard during April. Rates of contraction in output and new orders were among the steepest registered in the 22-year survey history and the worst since the global financial crisis of 2008/09. Business confidence took a severe knock, falling to a fresh record-low. The cyclically-sensitive new orders-to-inventory ratio also fell to its lowest ever level."

Tuesday, U.S. Sector PMI: "April data, collected April 7-29, indicated substantial decreases in output across six of the seven monitored sectors. The only exception was healthcare, which recorded by far the fastest expansion since the series began in October 2009. The upturn was driven by the escalation of the COVID-19 pandemic. The introduction of social distancing and stay-at-home measures created challenges for businesses across the U.S., with consumer services firms especially registering a significant contraction in business activity. The downturn was by far the steepest on record and outpaced those seen across the other monitored sectors."



Tuesday, U.S. Services PMI: "The latest data signaled a substantial decline in business activity across the U.S. service sector in April, as the COVID-19 outbreak escalated and emergency public health measures intensified. The rate of contraction accelerated to the fastest on record as client demand slumped and many businesses closed temporarily. New order inflows fell significantly as customers postponed or cancelled orders amid ongoing global lockdowns. Subsequently, expectations for the year ahead sank to their most pessimistic in the series history. Uncertainty and a further reduction in confidence led to the steepest decrease in workforce numbers on record. In an effort to retain clients, firms passed lower costs on to clients through the fastest decrease in output charges in the series history."

Employment and Businesses:

ADP

Wednesday, National Employment Report: "Private sector employment decreased by 20,236,000 jobs from March to April. . . . 'Job losses of this scale are unprecedented. The total number of job losses for the month of April alone was more than double the total jobs lost during the Great Recession,' said Ahu Yildirmaz, co-head of the ADP Research Institute."

Challenger, Gray, & Christmas

Wednesday, Job Cuts: "Job cuts announced by U.S.-based employers spiked to 671,129, the highest single-month total on record. Challenger began tracking job cut announcements in January 1993. Last month's total was primarily due to the COVID-19 pandemic, which was cited as the reason for 633,082 job cuts. . . . So far this year, 1,017,812 job cuts have been announced, 342% higher than the 230,433 announced in the first four months of 2019. It is the highest January-April total on record, and 43% higher than the previous record January-April total of 711,100 announced in the first four months of 2009."

Institute for Supply Management

Tuesday, Non-Manufacturing ISM: "Economic activity in the non-manufacturing sector contracted in April for the first time since December 2009, ending a 122-month period of growth, say the nation's purchasing and supply executives."

National Federation of Independent Business

Thursday, Jobs Report: "For the second month in a row, job creation plans among small businesses fell as the economy deals with the effects of COVID-19. . . . An increasing number of firms reported reducing employment as the six-week total of initial unemployment claims has now reached 30.3 million. 'Small businesses have been doing everything they can to sustain their business during this economic uncertainty,' said NFIB's Chief Economist Bill Dunkelberg. 'As states begin to reopen, workers who have been unemployed will be called back to work at many of these small businesses. Until workers are back and the virus is contained, we will get a better picture of how many jobs and firms were lost during this time.'"

Mortgages and Housing Markets:

Fannie Mae

Thursday, Home Purchase Sentiment Index (HPSI): "After falling 11.7 points last month, the [index] decreased an additional 17.8 points in April to 63.0, its lowest reading since November 2011. Five of the six HPSI components decreased month over month, as consumers reported a markedly more pessimistic view of homebuying and home selling conditions. Moreover, on net, more consumers reported that their household income is significantly lower today than it was 12 months ago. Year over year, the HPSI is down 25.3 points."

Freddie Mac

Thursday, Primary Mortgage Market Survey: "Mortgage rates stayed at or near record lows for the fifth straight week and homeowners are taking advantage with refinance activity remaining high.

Although purchase demand declined thirty-five percent year-over-year in mid-April, demand has improved modestly over the last three weeks."

Mortgage Bankers Association

Monday, Forbearance and Call Volume Survey: The latest survey "revealed that the total number of loans now in forbearance increased from 6.99% of servicers' portfolio volume in the prior week to 7.54% as of April 26, 2020. According to MBA's estimate, a total of 3.80 million homeowners are now in forbearance plans."

Wednesday, Mortgage Applications: "The Market Composite Index, a measure of mortgage loan application volume, increased 0.1 percent on a seasonally adjusted basis from one week earlier. On an unadjusted basis, the Index increased 1 percent compared with the previous week. The Refinance Index decreased 2 percent from the previous week and was 210 percent higher than the same week one year ago."

National Association of Home Builders

Monday, Minority Homeownership: "Data . . show that the minority homeownership rate increased to 49.3 percent in the first quarter of 2020, up 2.2 percentage points from the first quarter of 2019. This is the highest it has been since the first quarter of 2010 (49.5 percent). The year-over-year gain in the minority homeownership rate is double the gain in the overall U.S. homeownership rate, which rose 1.1 percentage points to 65.3 percent in the first quarter of 2020. These gains precede the economic impact of the coronavirus pandemic, however. Fallout from the virus will continue to negatively impact the housing market in the short-term."