

Economic Update, July 23, 2021
Submitted by Michael Mount

Summary: Investors seem to be concerned about the spread of COVID variants, such as the delta variant, and the potential harm on world economic growth. Although the US economy continues to expand, there is some indication that the expansion may be slowing. Initial claims for unemployment insurance ticked up nationally, though they decreased in Tennessee. The Federal Reserve Bank of Chicago's National Activity Index decreased slightly but remained positive, indicating that economic growth has slowed but remains above its long-term national average. IHS Markit's Composite Purchasing Managers' Index also decreased: the "rate of output growth was the slowest for four months, but robust nonetheless." Manufacturing output expanded at a slightly faster rate, but growth in the service sector is losing momentum amid labor shortages.

Federal Government Indicators and Reports:

Census Bureau

Tuesday, [New Residential Construction](#): "Privately-owned housing starts in June were at a seasonally adjusted annual rate of 1,643,000. This is 6.3% above the revised May estimate of 1,546,000 and is 29.1% above the June 2020 rate of 1,273,000."

Bureau of Economic Analysis

Thursday, [Direct Investment](#): "The US direct investment abroad position, or cumulative level of investment, increased \$244.9 billion to \$6.15 trillion at the end of 2020 from \$5.91 trillion at the end of 2019. . . . The foreign direct investment in the United States position increased \$187.2 billion to \$4.63 trillion at the end of 2020 from \$4.44 trillion at the end of 2019."

Bureau of Labor Statistics

Thursday, [Initial Claims](#): "In the week ending July 17, the advance figure for seasonally adjusted initial claims was 419,000, an increase of 51,000 from the previous week's revised level." In Tennessee, there were 6,150 initial claims for the week ending July 17, a decrease of 3,507 from the previous week.

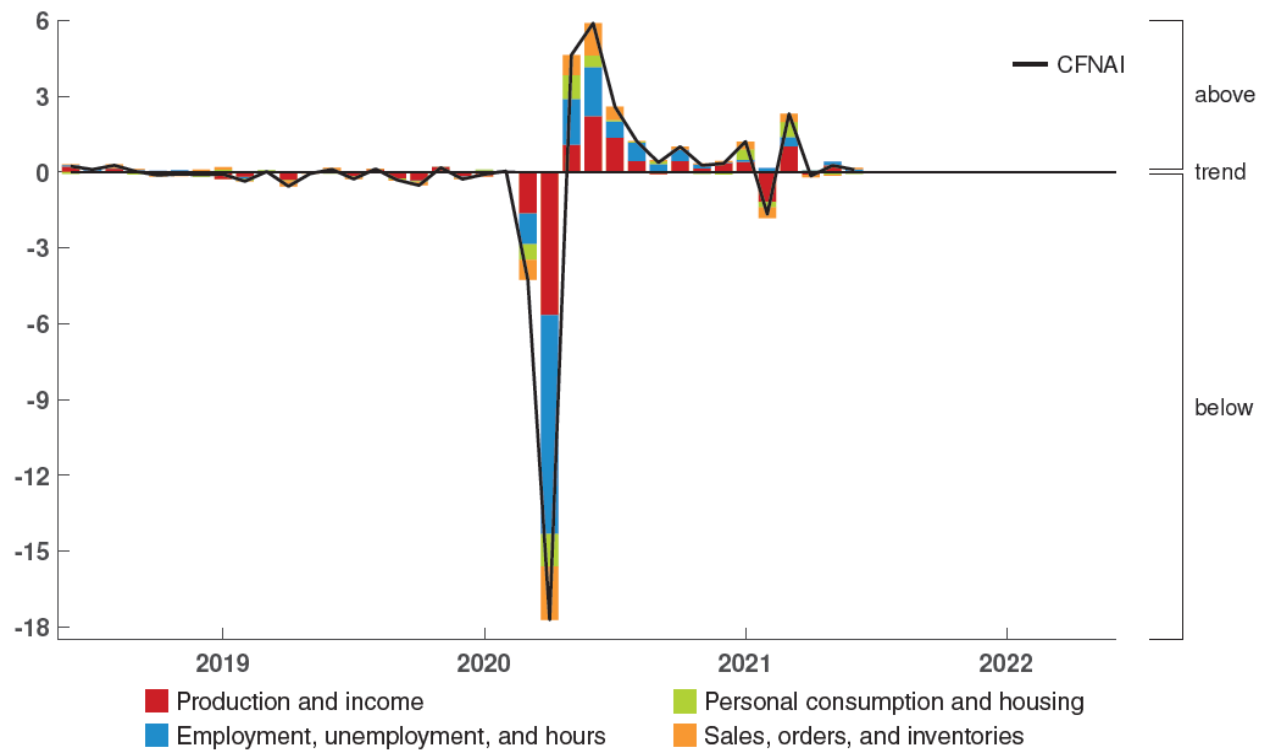


Economic Indicators and Confidence:

Federal Reserve

Thursday, [National Activity Index](#): The index “decreased to +0.09 in June from +0.26 in May.” Positive values for the index are associated with above-average economic growth.

Chicago Fed National Activity Index, by Categories

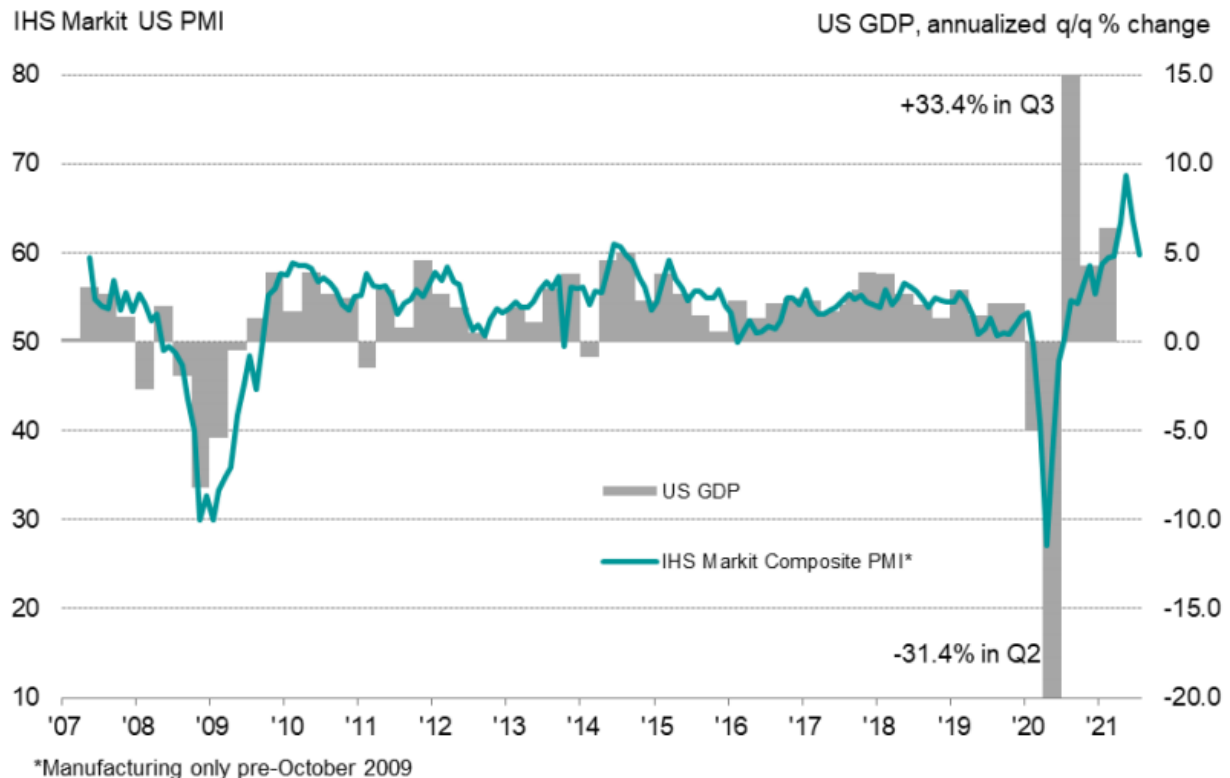


IHS Markit

Friday, [Purchasing Mangers’ Index](#): The index “posted 59.7 in July, down from 63.7 in June. The rate of output growth was the slowest for four months, but robust nonetheless and

among the fastest recorded over the survey's 14-year history. Manufacturers registered a slight acceleration in the pace of expansion in production, but service providers recorded a further loss of growth momentum amid labor shortages."

IHS Markit Composite PMI and U.S. GDP



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

Mortgages and Housing Markets:

National Association of Homebuilders

Monday, [Housing Market Index](#): "Strong buyer demand helped to offset supply-side challenges relating to building materials, regulation and labor as builder confidence in the market for newly built single-family homes inched down one point to 80 in July."

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): "Mortgage applications decreased 4.0% from one week earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$548,250 or less) increased to 3.11% from 3.09%. . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to 2.46% from 2.48%." According to Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting, "The 10-year Treasury yield dropped sharply last week, in part due to investors becoming more concerned about the spread of COVID variants and their impact on global economic growth. There were mixed changes in mortgage rates as a result."

National Association of Realtors

Thursday, [Existing Home Sales](#): “Existing-home sales increased [1.4%] in June, snapping four consecutive months of declines. . . . ‘Supply has modestly improved in recent months due to more housing starts and existing homeowners listing their homes, all of which has resulted in an uptick in sales,’ said Lawrence Yun, NAR’s chief economist. ‘Home sales continue to run at a pace above the rate seen before the pandemic.’”