

Economic Update, February 19, 2021
Submitted by Kevin Vanzant

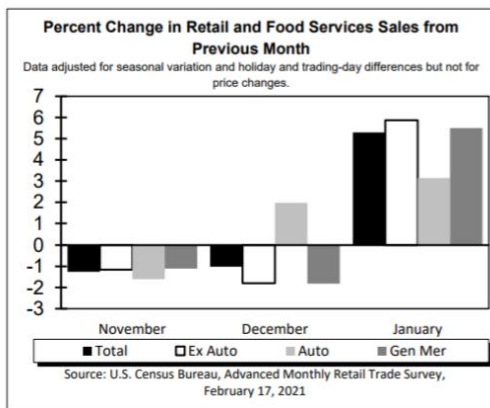
Summary: The news this week for the economy was mixed. Retail sales were up sharply, rising 5.3 percent in January from a month earlier, which indicate an economy that may be heating up. However, first-time filings for unemployment insurance jumped last week in a sign of continuing strife for the labor market nationally, though Tennessee’s numbers decreased. On the national jobless claims, Marianne Wanamaker, labor economist at the University of Tennessee, [said](#) that “things are not as stalled as they were in January, but we don’t have any momentum.” The minutes released from the January Federal Reserve meeting reflect these split economic indicators. There was cautious optimism about the signs of economic growth in the meeting, alongside remaining concerns about COVID and unemployment. As a result, the Fed plans to continue its loose monetary policy going forward.

Federal Government Indicators and Reports

US Census

Wednesday, [Retail Sales](#): “Advance estimates of U.S. retail and food services sales for January 2021, adjusted for seasonal variation . . . were \$568.2 billion, an increase of 5.3 percent from the previous month, and 7.4 percent above January 2020. Total sales for the November 2020 through January 2021 period were up 4.6 percent from the same period a year ago. . . . Retail trade sales were up 5.1 percent from December 2020, and 10.8 percent above last year. Nonstore retailers were up 28.7 percent from January 2020, while sporting goods, hobby, musical instrument, and book stores were up 22.5 percent from last year.”

ADVANCE MONTHLY SALES		
January 2021	\$568.2 billion	5.3%
December 2020 (revised)	\$539.7 billion	-1.0%
Next release: March 16, 2021		
<small>* The 90 percent confidence interval includes zero. There is insufficient statistical evidence to conclude that the actual change is different from zero. Data adjusted for seasonal variation and holiday and trading-day differences but not for price changes. Source: U.S. Census Bureau, Advanced Monthly Retail Trade Survey, February 17, 2021.</small>		



Federal Reserve

Wednesday, [Industrial Production and Capacity Utilization](#): “Industrial production increased 0.9 percent in January. Manufacturing output rose 1.0 percent, about the same as its average gain over the previous five months. . . . Capacity utilization for the industrial sector increased 0.7 percentage point in January to 75.6 percent, a rate that is 4.0 percent below its long-run (1972–2020) average.”

Federal Reserve Bank of Atlanta

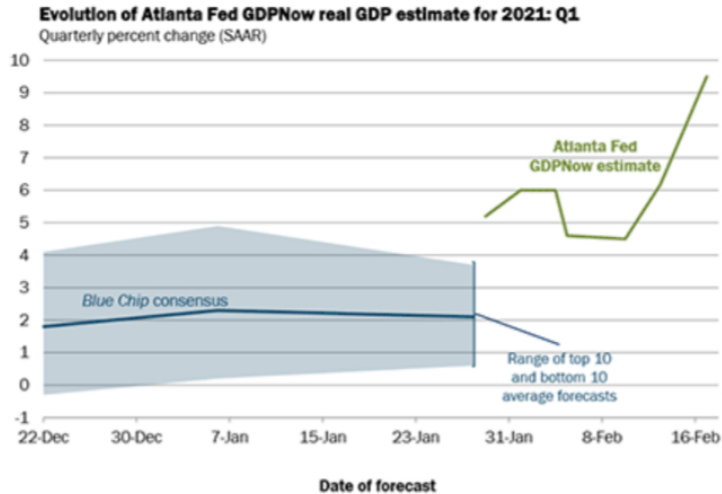
Wednesday, [GDPNow](#): The estimate for real GDP growth in the first quarter of 2021 increased to 9.5 percent as of February 17 from 4.5 percent one week earlier. During the same period, the

estimate for first quarter growth in real personal consumption expenditures increased to 7.7 percent from 1.5 percent, and the estimate for real gross private domestic investment growth increased to 21.5 percent from 17.4 percent.



GDPNow is not an official forecast of the Atlanta Fed. Rather, it is best viewed as a running estimate of real GDP growth based on available economic data for the current measured quarter. There are no subjective adjustments made to GDPNow—the estimate is based solely on the mathematical results of the model.

In particular, it **does not capture the impact of COVID-19 and social mobility** beyond their impact on GDP source data and relevant economic reports that have already been released. It does not anticipate their impact on forthcoming economic reports beyond the standard internal dynamics of the model.

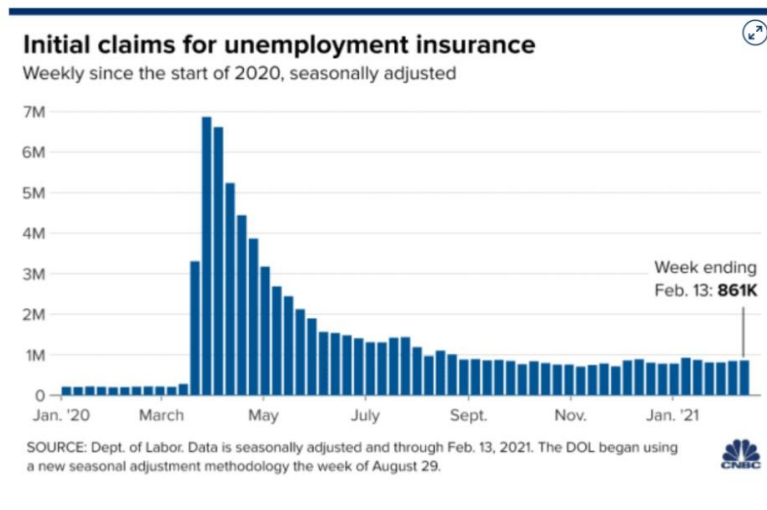


Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Source: [Federal Reserve Bank of Atlanta](https://www.frbatlanta.org/economic/gdpnow).

Department of Labor

Thursday, [Initial Claims](#): “In the week ending February 13, the advance figure for seasonally adjusted initial claims was 861,000, an increase of 13,000 from the previous week’s revised level. . . . The 4-week moving average was 833,250, a decrease of 3,500 from the previous week’s revised average.”



SOURCE: Dept. of Labor. Data is seasonally adjusted and through Feb. 13, 2021. The DOL began using a new seasonal adjustment methodology the week of August 29.

Source: [CNBC](https://www.cnbc.com).

Federal Open Market Committee

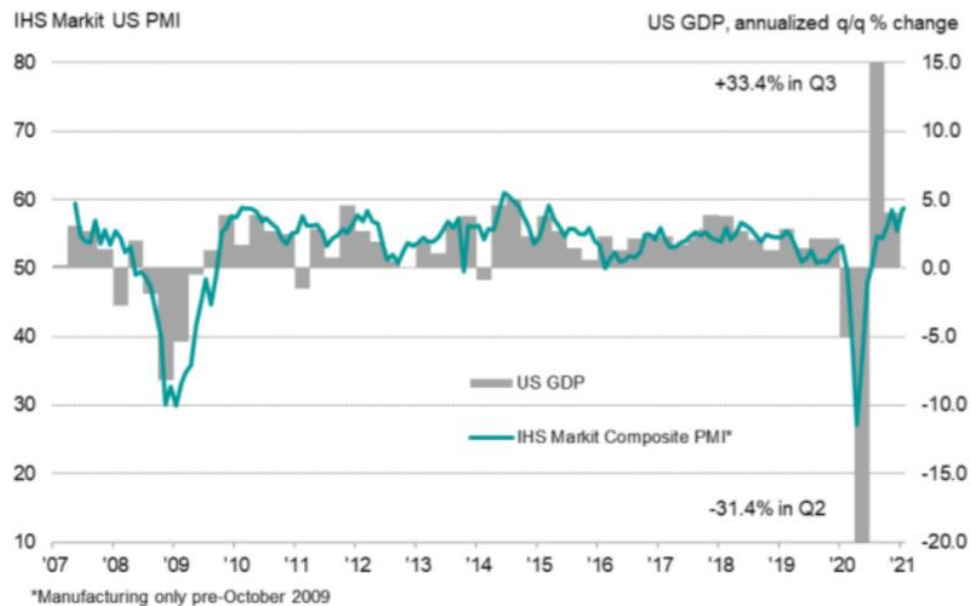
Wednesday, [minutes](#) released from January meeting: The central bank remains dovish on the economy, despite signs of stronger growth, and plans to continue an easy monetary policy. Its priority remains achieving full employment over concerns about rising inflation, and it notes the unevenness of job recoveries across different sectors of the economy: “Over the medium term, participants expected strong growth in employment, driven by continued progress on vaccinations and an associated rebound of economic activity and of consumer and business confidence, as well as accommodative fiscal and monetary policy. However, participants observed that the economy was far from achieving the Committee’s broad-based and inclusive goal of maximum employment and that even with a brisk pace of improvement in the labor market, achieving this goal would take some time.”

Economic Indicators and Confidence

IHS Markit

Friday, [Flash US Composite Purchasing Managers’ Index](#) (PMI): “Businesses in the U.S. reported the strongest monthly expansion in output for almost six years in February, spurred by accelerating service sector activity and sustained robust growth of manufacturing output. Adjusted for seasonal factors, the IHS Markit Flash U.S. Composite PMI Output Index posted 58.8 in February, up slightly from 58.7 in January. The upturn was the sharpest since March 2015.”

IHS Markit Composite PMI and U.S. GDP



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

Mortgages and Housing Markets

National Association of Realtors

Friday, [Existing Home Sales](#): “Existing-home sales continued to increase in January to a

seasonally-adjusted annual rate of 6.69 million, up 0.6% from the prior month and 23.7% from one year ago. The median existing-home sales price rose to \$303,900, 14.1% higher from one year ago. As of the end of January, housing inventory fell to a record-low of 1.04 million units, down by 25.7% year-over-year – a record decline.” According to Lawrence Yun, NAR’s chief economist, “Home sales are continuing to play a part in propping up the economy. With additional stimulus likely to pass and several vaccines now available, the housing outlook looks solid for this year.”



Source: [National Association of Realtors](https://www.nar.realtor).