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MONDAY ECONOMIC REPORT



Essential Takes on Leading Economic Indicators

By [Chad Moutray, Ph.D., CBE](#) – October 26, 2020– [SHARE](#)

Michigan #1 in New Mfg Jobs in September, Still Down from COVID-19

The Weekly Toplines

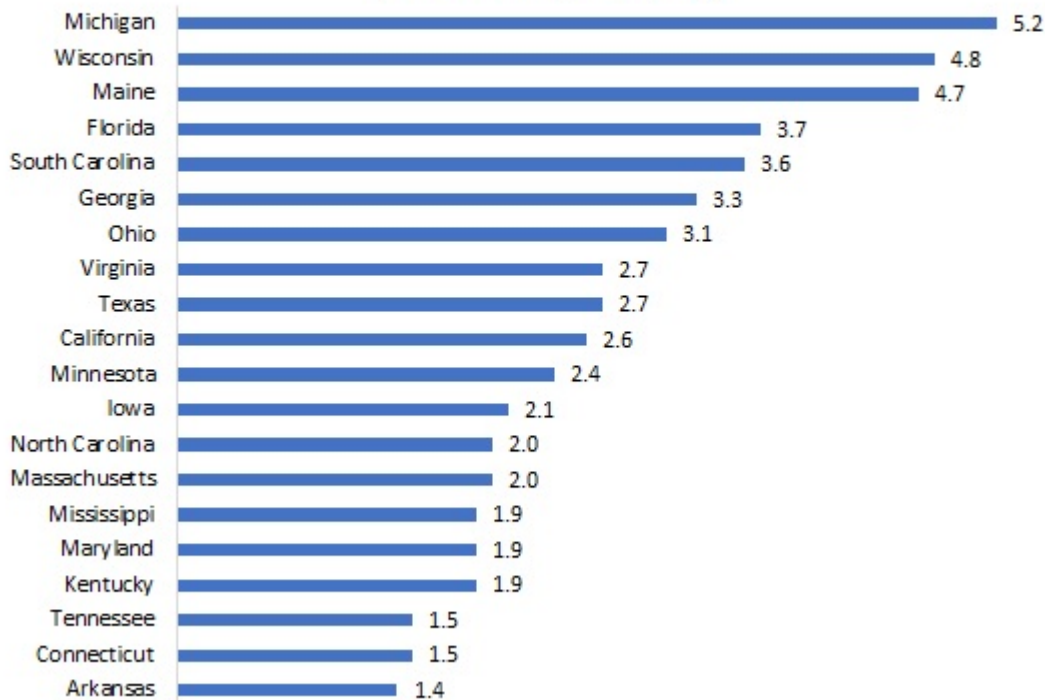
- Michigan [created](#) the most net new manufacturing jobs in September, adding 5,200 workers. Other states with notable employment growth for the month included Wisconsin (up 4,800), Maine (up 4,700), Florida (up 3,700), South Carolina (up 3,600), Georgia (up 3,300) and Ohio (up 3,100). Despite gains over the past five months, manufacturing employment figures continue to experience sizable declines due to COVID-19.
- The [IHS Markit Flash U.S. Manufacturing PMI](#) edged slightly higher in October, notching the best reading since January 2019, buoyed by strength in new orders. Manufacturers remained upbeat about continued solid growth in production over the coming six months.
- Mirroring other regions, manufacturing activity in the Kansas City Federal Reserve Bank's district [expanded](#) for the fifth straight month, continuing to rebound from sharp declines in the spring from the COVID-19 pandemic. Input prices rose at the fastest pace since November 2018.
- Elsewhere, the [IHS Markit Flash Eurozone Manufacturing PMI](#) continued to rebound in October, with new orders, output and exports each expanding at rates not seen since early 2018. [German manufacturers](#) reported the strongest manufacturing growth in 30 months, buoyed by the best output reading since February 2011.
- With that said, overall business activity in Europe shrank in October for the first time since June, with the Flash Eurozone PMI Composite Output Index dropping from 50.4 to 49.4 on renewed contractions in the service sector amid renewed COVID-19 concerns.
- [New housing starts](#) rose 1.9% to 1,415,000 units at the annual rate in September, with single-family residential construction having the best reading since June 2007 at 1,108,000 units. The housing market has been boosted by [historically low mortgage rates](#), which hit another record low last week. On a year-over-year basis, housing starts have risen 11.1% from 1,274,000 units in

September 2019, with single-family activity jumping 22.3% over the past 12 months.

- For their part, builders also [feel more upbeat](#) in their expectations for single-family sales over the next six months, with sentiment reaching another all-time high in October.
- [Existing home sales](#) jumped to the highest level since May 2006, up 9.4% from 5.98 million units in August to 6.54 million units in September. Over the past 12 months, existing home sales have risen 20.9%, up from 5.41 million units in September 2019. Inventories of existing homes for sale dropped to an all-time low, with just 2.7 months of supply in September.
- The Conference Board's [Leading Economic Index](#) rose 0.7% in September, increasing for the fifth straight month but still 4.1% lower than pre-pandemic levels in February.

Top 20 States with Increased Manufacturing Employment, September 2020

(in Thousands of Employees)



Economic Indicators

Last Week's Indicators:

(Summaries Appear Below)

Monday, October 19

NAHB Housing Market Index

Tuesday, October 20

Housing Starts and Permits

This Week's Indicators:

Monday, October 26

Chicago Fed National Activity Index

Dallas Fed Manufacturing Survey

New Home Sales

*State Employment Report***Wednesday, October 21***None***Thursday, October 22**

*Conference Board Leading Indicators
Existing Home Sales
Kansas City Fed Manufacturing Survey
Weekly Initial Unemployment Claims*

Friday, October 23

*IHS Markit Flash U.S. Manufacturing
PMI*

Tuesday, October 27

*Conference Board Consumer
Confidence
Durable Goods Orders and Shipments
Richmond Fed Manufacturing Survey*

Wednesday, October 28

*Business Employment Dynamics
International Trade in Goods
(Preliminary)*

Thursday, October 29

*Gross Domestic Product
Weekly Initial Unemployment Claims*

Friday, October 30

*Employment Cost Index
Personal Consumption Expenditures
Deflator
Personal Income and Spending
University of Michigan Consumer
Sentiment (Revision)*

Deeper Dive

- **Conference Board Leading Indicators:** The Leading Economic Index rose 0.7% in September, increasing for the fifth straight month but still 4.1% lower than pre-pandemic levels in February. New manufacturing orders were a positive contributor to the LEI for the fourth consecutive month, albeit showing signs of slowing. Other bright spots in September included building permits, initial unemployment claims and the interest rate spread. In contrast, the stock market provided a slight drag to September's LEI, with marginal or no contributions from the average workweek of production workers, consumer confidence and lending conditions measures.

Meanwhile, the Coincident Economic Index also increased for the fifth consecutive month, slowing but up 0.2% in September, with the measure down 5.6% since February. Industrial production decreased 0.6% in September, ending four straight monthly increases, with manufacturing output down 0.3%. Other CEI components—manufacturing and trade sales, nonfarm payrolls and personal income less transfer payments—were positive contributors for the month.

- **Existing Home Sales:** The National Association of Realtors reported that existing home sales jumped to the highest level since May 2006, up 9.4% from 5.98 million units in August to 6.54 million units in September. More importantly, the housing market continues to be a bright spot, having more than completely recovered after dropping to 3.91 million units in May, the slowest

pace since October 2010. Every region of the country saw increases in existing home sales, with historically low mortgage rates helping to buoy increased sales.

In September, single-family and condominium and co-op sales increased 9.7% and 6.3%, respectively. Over the past 12 months, existing home sales have risen 20.9%, up from 5.41 million units in September 2019. Single-family sales jumped 21.8% year-over-year, with condo/co-op sales up 13.6% from the pace one year ago.

With the pickup in activity, inventories narrowed from 3.0 months of supply in August to just 2.7 months in September, which was “historically low.” The median sales price for existing homes has increased 14.8% year-over-year, up to \$311,800 in September.

- **Housing Starts and Permits:** New residential construction rose 1.9% from 1,388,000 units at the annual rate in August to 1,415,000 units in September. The data were buoyed by continued strength in the single-family segment, which increased from 1,021,000 units to 1,108,000 units, the best reading since June 2007. The housing market has been boosted by historically low mortgage rates, with the sector bouncing back from steep COVID-19-related declines in the spring. At the same time, multifamily residential construction starts, which can be highly volatile from month to month, decreased from 367,000 units to 307,000 units. On a year-over-year basis, housing starts have risen 11.1% from 1,274,000 units in September 2019, with single-family activity jumping 22.3% over the past 12 months.

Meanwhile, housing permits increased 5.2% from an annualized 1,476,000 units in August to 1,553,000 units in September, the strongest pace since March 2007. That remains a solid figure, pointing to strong growth in the housing market over the coming months. For their part, builders also feel more upbeat in their expectations for single-family sales over the next six months, with sentiment reaching another all-time high in October (see below).

Single-family permits increased from 1,038,000 units in August to 1,119,000 units in September, the highest reading since March 2007. In contrast, multifamily permitting eased from 438,000 units to 434,000 units. Over the past 12 months, housing permits have risen 8.1% from 1,437,000 units in September 2019, but with single-family permits up 24.3% year-over-year.

- **IHS Markit Flash U.S. Manufacturing PMI:** The manufacturing sector in the United States continued to show signs of recovery in October, notching the best reading since January 2019 but also little changed from September. The headline index increased from 53.2 in September to 53.3 in October, buoyed by strength in new orders, also at a 21-month high. Output and hiring slowed but continued to grow, but exports declined for the first time since June. Input prices also increased slightly in October, rising modestly. The index for future output rose from 60.9 to 63.0, signaling that manufacturers remained upbeat about continued solid increases in production.

In Europe, there was mixed news on the economy. On the positive side, the [IHS Markit Flash Eurozone Manufacturing PMI](#) rose from 53.7 in September to 54.4 in October, expanding for the fourth straight month and the best reading since August 2018, as the manufacturing sector continues to rebound from sharp COVID-19-related declines in the spring. In October, new orders, output and exports each grew at the fastest rates since early 2018, but employment has contracted now for 16 consecutive months. Respondents remained upbeat about future growth in production. [German manufacturers](#) reported the strongest manufacturing growth in 30 months, buoyed by the best output reading since February 2011, and in [France](#), activity expanded for the fourth time in the past five months, albeit with some slight easing in October.

With that said, overall business activity in Europe shrank in October for the first time since June, with the Flash Eurozone PMI Composite Output Index dropping from 50.4 to 49.4 on renewed contractions in the service sector amid renewed COVID-19 concerns.

Outside the European Union, the [United Kingdom's](#) manufacturing sector pulled back for the second straight month in October from August's pace, which had been the best since February 2018, but continued to expand modestly. Manufacturing respondents continued to feel optimistic in their outlook, but like in Europe, the services sector had more pronounced slowing in October on new pandemic restrictions.

- [Kansas City Fed Manufacturing Survey](#): Manufacturing activity expanded for the fifth straight month, with the composite index of general business conditions rising from 11 in September to 13 in October. Growth picked up for new orders, shipments, production and employment in October, and the average employee workweek and exports rebounded. Prices for raw materials accelerated, increasing at the fastest pace since November 2018.

Moving forward, respondents continued to feel cautiously positive about additional growth over the next six months, with increased growth rates for new orders, production, hiring and capital spending. Thirty-five percent of respondents to a special question said their revenues were at pre-recession levels, but most see themselves getting back to normal by the end of 2021. Capital spending plans were similar.

- [NAHB Housing Market Index](#): The National Association of Home Builders and Wells Fargo reported that confidence reached another record high in October. The Housing Market Index rose from 83 in September to 85 in October. HMI data exceeding 50 suggest that more builders feel positive in their outlook than negative. The latest data suggest that builders feel very upbeat in their assessments of the housing market, buoyed by historically low mortgage rates. NAHB Chief Economist Robert Dietz noted increased interest in locating in the “suburbs, exurbs and small towns,” as Americans look to avoid highly dense cities, but he also cited rising construction costs, especially for lumber, and shortages of available lots.

The HMI improved in every region of the country except the Midwest, and the index for current single-family home sales rose from 88 to 90, an all-time high. At the same time, the index for expected single-family sales also increased to a new record, up from 85 to 88. That suggests builders feel very optimistic about increased sales moving forward.

- **State Employment Report:** Michigan created the most net new manufacturing jobs in September, adding 5,200 workers. Other states with notable employment growth for the month included Wisconsin (up 4,800), Maine (up 4,700), Florida (up 3,700), South Carolina (up 3,600), Georgia (up 3,300) and Ohio (up 3,100). Despite gains over the past five months, manufacturing employment figures continue to experience sizable declines due to COVID-19. Since February, the states with the largest job decreases in the sector included California (down 94,700), Michigan (down 56,900), New York (down 43,300), Texas (down 40,700), Pennsylvania (down 39,800), North Carolina (down 38,500) and Ohio (down 37,400).

The national unemployment rate dropped sharply from 8.4% in August to 7.9% in September, and the unemployment rate fell in 30 states in the latest data. Hawaii had the highest unemployment in the country at 15.1%, followed by Nevada (12.6%), California (11.0%), Rhode Island (10.5%) and Illinois (10.2%). At the other end of the spectrum, the lowest unemployment rates in the United States in September occurred in Nebraska (3.5%), South Dakota (4.1%), Vermont (4.2%), North Dakota (4.4%), Iowa (4.7%) and Missouri (4.9%).

- **Weekly Initial Unemployment Claims:** Initial unemployment claims totaled 787,000 for the week ending Oct. 17, down from 842,000 for the week ending Oct. 10. Initial claims have averaged 854,875 over the past eight months, with significant progress since peaking at 6,867,000 for the week ending March 28. Yet, initial claims remain highly elevated, illustrating continuing pain in the labor market and remaining well above what was seen during the Great Recession. Along those lines, initial claims peaked during the Great Recession at 665,000 for the week ending March 28, 2009.

Meanwhile, continuing claims declined from 9,397,000 for the week ending Oct. 3 to 8,373,000 for the week ending Oct. 10. This was consistent with 5.7% of the workforce, down from 6.4% in the previous report. With that said, 23,150,427 Americans received some form of unemployment insurance benefit for the week ending Oct. 3, down from 24,196,920 for the week ending Sept. 26.

Take Action

Feedback Needed: How Will 5G Technologies Impact Your Business?

The Manufacturing Institute is conducting research to learn how 5G technologies will

impact manufacturers' operations and workforce—and we need your input. Please take a moment to [fill out this survey](#). All responses are anonymous and due by Friday, Oct. 30, at 5:00 p.m. EDT. The MI will release the findings from the research in the coming months.

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