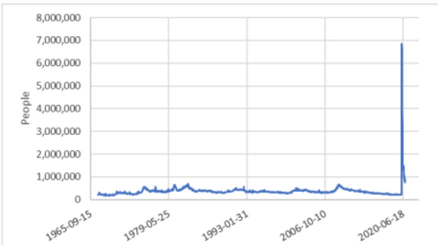
The Weekly Breadline

A weekly analysis of the most recent economic indications

The ongoing government-imposed shutdown of the economy, in response to COVID-19, has led to what will likely be a depression at least through the remainder of 2020. In order to help our clients to plan during this extremely confusing and unpredictable period, **John Dunham & Associates** has gathered a brief series of indicators that together paint the most recent picture of US economic activity.[1]

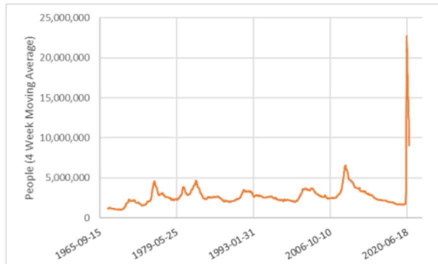
The Weekly Data: November 1, 2020

Weekly Jobless Claims



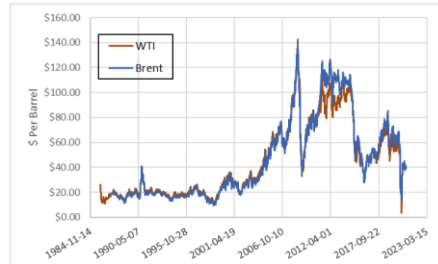
New claims for unemployment insurance fell from 787,000 to 751,000 last week.

Continuing Claims for Unemployment



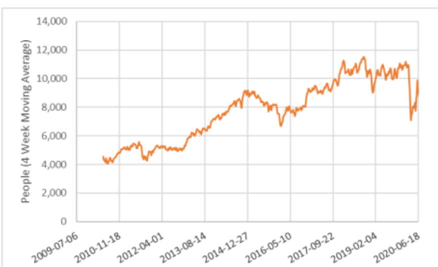
The four-week moving average of unemployment claims declined last week from 10,085,750 to 9,053,250.

WTI Spot Oil Price



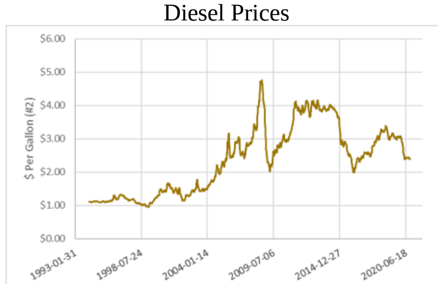
WTI spot crude is up from $40.33per barrel to $40.43, while Brent decreased from $41.29 to $39.06 per barrel.

Dow Jones Transportation Index



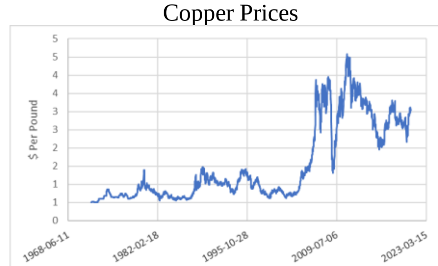
The Dow Jones Transportation Index fell from 11,784.42 to 11,254.35.

Diesel Prices



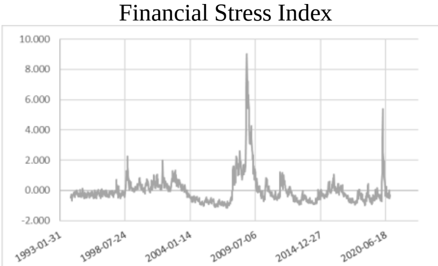
Diesel prices remained at $2.39 per gallon.

Copper Prices



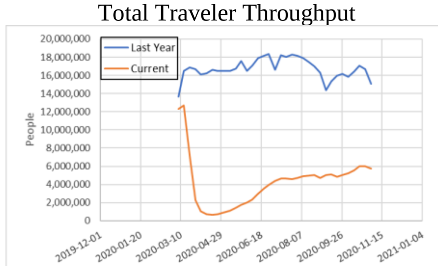
Spot copper prices fell last week from $3.11/lb to $3.03/lb.

Financial Stress Index



The weekly St. Louis Fed financial stress index rose last week from -0.3568 to -0.2833 indicating less stability.

Total Traveler Throughput

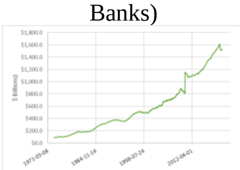


TSA checkpoint traveler throughput fell last week from 5,990,736 passengers to 5,719,589 compared to 15,102,113 passengers a year ago.

10-Year Treasury Yield

Interest rates on 10-year Treasury Bonds rose from 0.74 to 0.83.

Consumer Credit Outstanding (Commercial Banks)



Consumers debt rose as loans outstanding increased from $1,522.01 billion to $1,524.00 billion.

Is there anything else that you would like us to track?

Let us know at:

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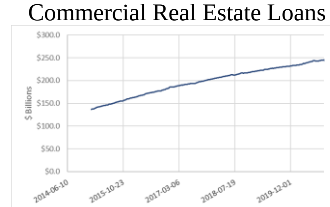
Commercial Real Estate Loans



Commercial real estate loans increased - from $241.89 billion to $242.26 billion.

The Weekly Commentary

[1] Note that the current situation is extremely unpredictable, and important business decisions should not be made based on any individual indicators.

Key takeaways for the week:

1. As we announced last week, we have started tracking TSA checkpoint travel data. Although there were less travelers compared to last week – more than likely due to seasonality changes – the key takeaway from this statistic is that traveler counts are at about 37.87 percent of what it was last year during the same week. This is a slight improvement over last week's 35.92 percent which show a slow and painful road to pre-pandemic levels. On another note, as often happens when working with any new dataset, mistakes can happen and is important to alert the users of the revision. Eagle-eyed readers will notice a difference in the data point for the week of April 11 which has been revised from 405,128 to 753,769.

2. Consumer loans are up from last week at $1,524 billion dollars – driven primarily by an increase in credit card spending from $749.5 billion to $757.5 billion. This could be an indication of loosening of pandemic related restrictions in retail and hospitality sectors, giving people a chance at experiencing pre-pandemic activities. It will be interesting to see how the data is affected by recent proposed shutdowns and fears of a second wave.

3. As we saw last week, there is good news for the economy being reported as we continue to see a decrease in initial jobless claims of about 4.5 percent while continuing claims fell by 10.2 percent. Bad news? Compared to the same week last year where we saw 1,411,728 persons claiming benefits in all programs, 22,654,453 persons claimed benefits in 2020 – a whopping 16 times as many people.

Last week, the Bureau of Economic Analysis released its much anticipated Q3 GDP estimates. The headline number beat most expectations, with GDP increasing at an annualized rate of 33.1 percent. Based on the way the BEA presents these data, this suggests that about two-thirds of the losses from the COVID-19 shutdown were reclaimed in the third quarter.

The stark effects of the virus and its consequences can easily be seen in the figures. While annualized spending on consumption goods is actually above where it was at the end of 2019, service spending is still down by over $700 billion, and investment is still down significantly from the same time last year.

The more important news coming from this report is how much it has cost to turn the economy around. Breaking out the individual quarter from the annualized number, the actual production (as measured by consumption) of the US economy in the 3rd quarter was about $5.29 trillion. This is up from just $4.88 trillion in the prior quarter, and still down from $5.44 trillion in the last quarter of 2019. However, according to the Federal Reserve, the Federal Government has spent about $1.68 trillion in borrowed dollars to generate this. And this does not include monetary interventions. The Fed's Balance Sheet is almost $3 trillion higher than it was pre-COVID, so in effect the government has injected $3 trillion in an economy that generated just $10.2 trillion in economic activity.

So government borrowing accounted for roughly a third of all economic activity during the COVID-19 period so far, and annualized GDP is still down by about a trillion dollars. There is a cost to this. While some politicians contend that borrowing is not a problem, (so called Modern Monetary Theory) there really is no free lunch in economics. Debt is future work consumed today, and effectively borrowing brings forward the ability to consume in the future. True, many of us older folks may not necessarily care, but future generations will be the ones to pay for profligate borrowing today.

All that said, while government intervention did surely mitigate the worst impacts of the current depression so far, overall actual economic activity is not anywhere near the numbers being reported by the BEA. How could it be, with 14 percent of the workforce currently receiving unemployment benefits.

Notes:

Weekly and daily economic data series are rare. Certain financial data can be used as a proxy for underlying economic indicators.

- Copper prices, like those of other industrial metals, can serve as a proxy for industrial production.
- Fuel prices account for about 10 percent of the CPI and can serve as a proxy for short-term inflation expectations.
- The level of commercial real estate loans is a proxy for the construction industry.
- Changes in the level of consumer credit can be used as a proxy for retail sales.
- The yield on the 10-year treasury is an indicator of inflation.

The Weekly Breadline is provided as a service to our clients by **John Dunham & Associates.** It is not intended as investment advice. If you would like more information, or if you would like us to track additional indicators, please feel free to contact us at JRD@GuerrillaEconomics.com, or by phone at 212-239-2105.