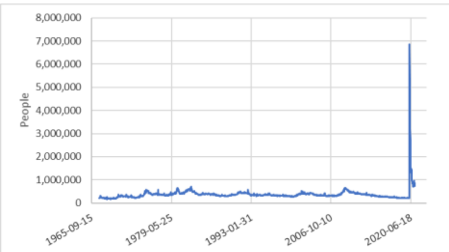
The Weekly Breadline

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 middle of 2021. 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]

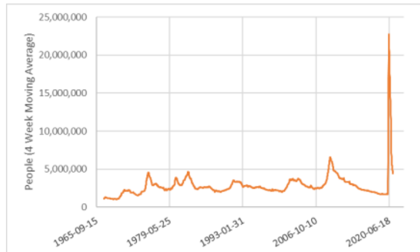
The Weekly Data: March 7, 2021

Weekly Jobless Claims



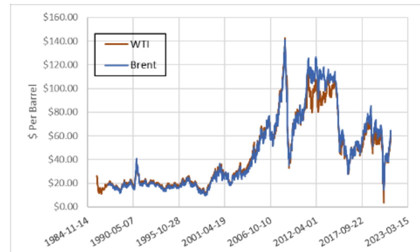
New claims for unemployment insurance rose from 730,000 to 745,000 last week.

Continuing Claims for Unemployment



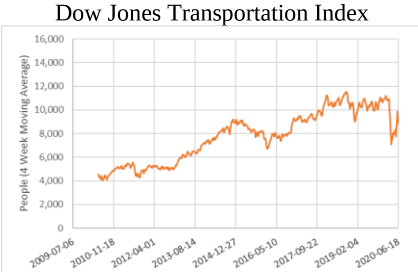
The four-week moving average of unemployment claims declined last week from 4,547,000 to 4,448,000.

WTI Spot Oil Price



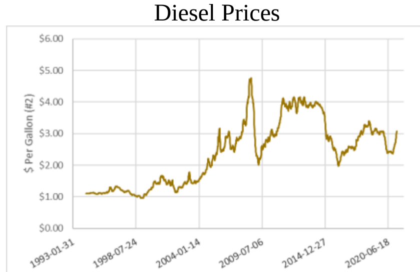
WTI spot crude is up from $60.17 per barrel to $62.30, while Brent decreased from $64.73 to $64.50 per barrel.

Dow Jones Transportation Index



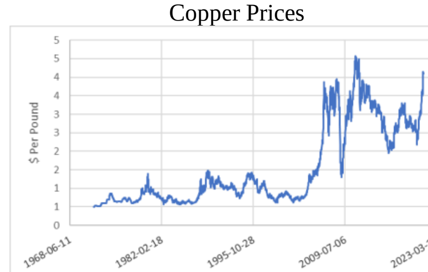
The Dow Jones Transportation Index rose from 13,423.72 to 13,517.23.

Diesel Prices



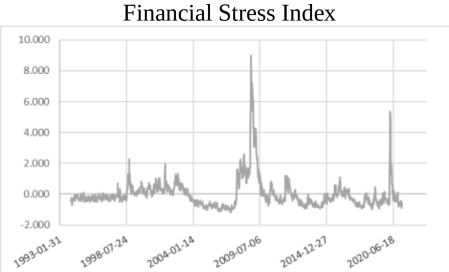
Diesel prices rose last week from $2.97 to $3.07 per gallon.

Copper Prices



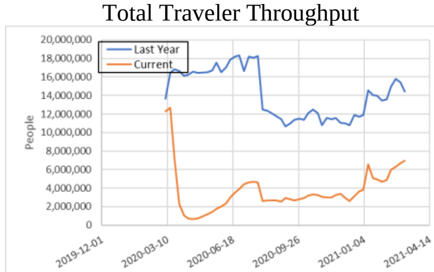
Spot copper prices decreased last week from $4.15/lb to $4.11/lb.

Financial Stress Index



The weekly St. Louis Fed financial stress index rose last week from -0.8002 to -0.5901 indicating less stability.

Total Traveler Throughput

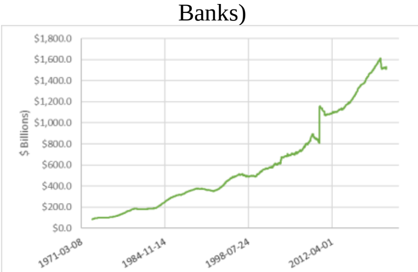


TSA checkpoint traveler throughput rose last week from 6,685,449 passengers to 6,955,059 or 48.24 percent compared to 14,416,818 passengers a year ago.

10-Year Treasury Yield

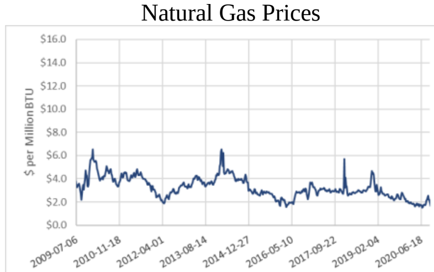
Interest rates on 10-year Treasury Bonds increased from 1.31 to 1.42.

Consumer Credit Outstanding (Commercial Banks)



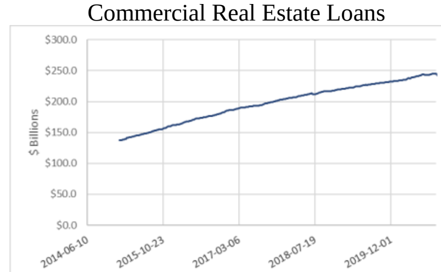
Consumers debt decreased as loans outstanding fell from $1,530.46 billion to $1,522.85 billion.

Natural Gas Prices



Natural gas prices decreased from $12.18 per million to $2.86 per million BTUs.

Commercial Real Estate Loans



Commercial real estate loans decreased - from $246.44 billion to $246.20 billion.

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

The Weekly Commentary

Key takeaways for the week:

1. Congress passed another "COVID Relief" bill, this one a $1.9 trillion Christmas tree of payouts to various and sundry persons and causes. Economists are split on whether this new injection of borrowed money into the economy will stoke inflation or improve economic performance.

2. At least job numbers appear to be improving. The BLS reported that nonfarm payroll employment rose by 379,000 in February driven by an increase of 465,000 in private payrolls. This blew away economists' forecasts.

3. Even with huge jumps in employment, wages and producer prices, Federal Reserve Chairman Powell continues to talk down the economy, suggesting that the Fed will maintain negative interest rates far into the future.

4. Crude oil prices continue to surge, with the WTI closing the week at $66.28. Prices have risen by 65 percent since the election.

There is no doubt that the February jobs report was positive, with nonfarm payroll employment rising by 379,00, well above forecasts. Total employment levels are now at 150,239,000 which is just 8.5 million less than the pre-depression peak. Even so, 8.5 million unemployed persons is still the total pre-COVID population of New York City, and the broad measure of unemployment fell by just 0.6 percent to 11.1 percent.

One of the most positive stories from the report is that jobs in the leisure and hospitality sector rose by 355,000, as more states began to open their economies. The service sector as a whole gained a whopping 513,000 jobs. These gains were offset by declines in construction, and government employment.

While the overall job figures were extremely positive, the underlying data show that there are still major weaknesses in the job market. For example, the number of people employed part-time increased by more than total employment – up by 540,000 in actual terms (not seasonally adjusted). This makes sense as many people normally employed in the hospitality industry voluntarily work part-time. In addition, joblessness among younger people and blacks continues to be naggingly high, with black unemployment actually rising last month from 9.2 percent to 9.9 percent. Youth unemployment remains stubbornly high at 13.1 percent, about where it was in the Fall.

In addition, hours worked fell in February, with average weekly hours of all private employees down by 0.3 hours to 34.6 hours and those for all private service-providing employees down by 0.3 hours to 33.3 hours. Again, this is likely due to the surge in employment in the leisure and hospitality sector, where many work only part-time by choice.

Employment figures and commodity prices are the most timely signals of the state of the economy, and while commodity prices have been shooting up in recent months, employment has been stubbornly stuck in a rut. These numbers may be the first sign of the dam breaking, particularly since they are coinciding with states announcing that they are dropping their COVID-19 business restrictions. If this continues, the major economic concern will begin to shift from unemployment to inflation, particularly since Washington is continuing to pump out cash like water from a fire hydrant. With an additional $1.9 trillion of fiscal support, and continued negative interest rates, the chance of the economy overheating is now likely greater than it falling back into recession.

<u>Notes:</u>
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.