Real Median Household Income Soared to a New Record in 2019

The Weekly Toplines

- **Real median household income** soared to a new record, up 6.8% from $64,324 in 2018 to $68,703 in 2019. The average American working full-time, year-round earned $52,000 in 2019. The official poverty rate was 10.5% in 2019, down for the fourth straight year and down from 11.8% in 2018. For real median household income data by state, [click here](#).

- **Manufacturing production** increased 1.0% in August, easing from the 3.9% gain seen in July but rising for the fourth straight month. Despite recent progress, output in the sector remained 6.7% below the pre-pandemic pace in February. Manufacturing capacity utilization was 70.2% in August, up from 69.5% in July but still down from 75.2% in February.

- The [New York](#) and [Philadelphia](#) Federal Reserve Banks each reported expanding manufacturing activity in September, with the sector continuing to show signs of recovery since the spring and orders strengthening in both districts. Respondents were upbeat in their outlook.

- **Retail spending** rose 0.6% in August, slowing from the 0.9% gain in July but increasing for the fourth straight month. Americans continue to spend modestly, with activity above pre-pandemic levels for the third consecutive month. Over the past 12 months, retail sales have risen 2.6%, but with motor vehicles and parts and gasoline excluded, spending has increased by a relatively decent 4.0% since August 2019.

- **Consumer confidence** increased to a six-month high, according to preliminary data from the University of Michigan and Thomson Reuters. However, sentiment remains below pre-pandemic levels.

- **New residential construction** declined 5.1% to 1,416,000 units at the annual rate in August, but the decrease stemmed entirely from the volatile multifamily segment. More importantly, single-family housing starts rose to 1,021,000 units, the best reading since February. Housing permits edged down 0.9% but remained solid at an annualized 1,470,000 units in August.
The National Association of Home Builders and Wells Fargo said that the Housing Market Index rose to 83 in September, a new all-time high, with builders very upbeat in their expectations for single-family sales over the next six months.

The Federal Open Market Committee left interest rates unchanged, as expected, signaling no change in rates for the foreseeable future. The latest economic projections point to the federal funds rate remaining at its current range—zero to 25 basis points—until at least sometime in 2022, reflecting continuing concerns about economic growth and in the outlook.

FOMC participants upwardly revised their economic outlook for this year relative to their assessments in June. The U.S. economy is now seen declining 3.7% in 2020, an improvement from the 6.5% decrease forecasted three months ago. In addition, the unemployment rate is predicted to fall to 7.6% this year, sharply lower than the 9.3% estimate made in June.

### U.S. Real Median Household Income, 1985–2019

*(in Thousands of 2019 CPI-U-RS Adjusted Dollars)*

Economic Indicators

**Last Week’s Indicators:**
*(Summaries Appear Below)*

**Monday, September 14**

None

**This Week’s Indicators:**

**Monday, September 21**

*Chicago Fed National Activity Index*

**Tuesday, September 22**

*Existing Home Sales*
Tuesday, September 15
*Industrial Production*
*New York Fed Manufacturing Survey*

Wednesday, September 16
*FOMC Monetary Policy Statement*
*NAHB Housing Market Index*
*Retail Sales*

Thursday, September 17
*Housing Starts and Permits*
*Philadelphia Fed Manufacturing Survey*
*Weekly Initial Unemployment Claims*

Friday, September 18
*Conference Board Leading Indicators*
*State Employment Report*
*University of Michigan Consumer Sentiment*

**Deeper Dive**

- **Conference Board Leading Indicators**: The Leading Economic Index rose 1.2% in August, increasing for the fourth straight month but still 4.7% lower than pre-pandemic levels in February. New manufacturing orders were a positive contributor to the LEI for the third consecutive month as the sector bounces back from COVID-19. Other bright spots in August included the average workweek of production workers, initial unemployment claims, the stock market and the interest rate spread. In contrast, building permits, consumer confidence and lending conditions pulled the headline index slightly lower.

Meanwhile, the Coincident Economic Index also rebounded for the fourth consecutive month, up 0.6% in August, with the measure down 6.4% since February. Aside from manufacturing and trade sales, each of the other components rose in August, including industrial production, nonfarm payrolls and personal income less transfer payments. Manufacturing production rose 1.0% in August (see below).

- **FOMC Monetary Policy Statement**: The Federal Open Market Committee left interest rates unchanged, as expected, signaling no change in rates for the foreseeable future. The Federal Reserve will target core inflation that is “moderately above” 2% in the short term, explicitly saying this in its latest statement after **announcing this shift** last month, with the longer-term goal of having core prices rising 2% on average on an annual basis. This “dovish” sentiment reflects continuing concerns about economic growth and in the outlook. Regarding expectations for the coming months, the FOMC adds, “The path of the economy will depend significantly on the course of the virus.”
To further reiterate its point, the latest economic projections point to the federal funds rate remaining at its current range—zero to 25 basis points—until at least sometime in 2022. With that said, forecasts for monetary policy can always shift with changes in economic data.

Participants upwardly revised their economic outlook for this year relative to their assessments in June. For instance, the U.S. economy is now seen declining 3.7% in 2020, an improvement from the 6.5% decrease forecasted three months ago. In addition, the unemployment rate is predicted to fall to 7.6% this year, sharply lower than the 9.3% estimate made in June. Looking to 2021, real GDP is anticipated to grow 4.0%, with the unemployment rate dropping to 5.5%. Despite comments about new inflation targets for monetary policy, the FOMC does not predict that pricing pressures will be a challenge, with core inflation not seen getting to 2.0% until 2023.

- **Housing Starts and Permits**: New residential construction declined 5.1%, pulling back after rising sharply in each of the three prior months, down from 1,492,000 units at the annual rate in July to 1,416,000 units in August. With that said, the decrease stemmed entirely from the multifamily segment, which can be highly volatile from month to month, down from 511,000 units in July to 395,000 units in August. On a more positive note, single-family housing starts rose from 981,000 units to 1,021,000 units, the best reading since February.

  On a year-over-year basis, housing starts have risen 2.8%, up from 1,377,000 units in August 2019, with single-family activity up 12.1% over the past 12 months. Overall, the housing market has emerged as a bright spot in the U.S. economy in recent months after plummeting dramatically in April to the slowest pace since February 2015, buoyed by low mortgage rates.

  Meanwhile, housing permits edged down 0.9% from an annualized 1,483,000 units in July to 1,470,000 units in August. 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 matching an all-time high in September (see below).

  Single-family permits increased from 977,000 in July to 1,036,000 units in August, the highest reading since May 2007. In contrast, multifamily permitting declined from 506,000 units to 434,000 units. Over the past 12 months, housing permits have inched down 0.1% from 1,471,000 units in August 2019, but with single-family permits up 15.6% year-over-year.

- **Industrial Production**: Manufacturing production rebounded for the fourth straight month, rising 1.0% in August. Durable and nondurable goods production increased 0.7% and 1.2% for the month, respectively. The data continue to reflect the damage done by COVID-19 and the global recession, with manufacturing production plummeting 20.3% between February and April. Despite significant progress since then, output remained 6.7% below the pre-
pandemic pace in February. Expressed on a year-over-year basis, manufacturing production has declined 6.9% since August 2019, with durable and nondurable goods output down 8.0% and 5.1%, respectively.

Manufacturing capacity utilization registered 59.9% in April, the lowest rate in the data’s history, which goes back to January 1948. However, sector rates now have gone up for four consecutive months. They rose to 70.2% in August, although that is still down from 75.2% in February.

In August, every manufacturing sector experienced production growth except for motor vehicles and parts, which had output drop 3.7% for the month. The largest increases in output in the sector for the month included apparel and leather goods (up 7.8%), aerospace and miscellaneous transportation equipment (up 4.2%), plastics and rubber products (up 3.7%), petroleum and coal products (up 2.3%) and primary metals (up 2.1%).

Even with gains in output in the latest release, all but one of the 19 major sectors in manufacturing still experienced declines in production on a year-over-year basis, with computer and electronic products being the only exception (up 5.5% since August 2019). The biggest year-over-year declines occurred in primary metals (down 21.6%), aerospace and miscellaneous transportation equipment (down 18.3%), printing and support (down 14.7%), petroleum and coal products (down 14.5%) and textile and product mills (down 12.4%).

Meanwhile, total industrial production rose 0.4% in August, slowing from a 3.5% gain in July. In contrast to the increase in output in manufacturing, mining and utilities production fell 2.5% and 0.4% for the month, respectively. Over the past 12 months, industrial production has dropped 7.7%. Total capacity utilization increased from a record low 64.1% in April to 71.4% in August. For comparison, it registered 76.9% in February.

- **NAHB Housing Market Index**: The National Association of Home Builders and Wells Fargo reported that confidence reached a new all-time high in September. The Housing Market Index rose from 78 in August to 83 in September. HMI data exceeding 50 suggest that more builders feel positive in their outlook than negative. The latest data suggest that builders are very upbeat in their assessments of the housing market, buoyed by historically low mortgage rates. NAHB Chief Economist Robert Dietz noted a “suburban shift” fueling construction in some areas, as Americans look to avoid highly dense cities, but he also cited rising construction costs, especially for lumber.

The HMI improved in every region of the country except the West, and the index for current single-family home sales rose from 84 to 88, a new record. At the same time, the index for expected single-family sales also increased to an all-time high, up from 78 to 84. That suggests builders feel very optimistic about increased sales moving forward.
- **New York Fed Manufacturing Survey:** Manufacturing activity expanded in the New York Federal Reserve Bank’s district for the third straight month in September. The composite index of general business activity rose from 3.7 in August to 17.0 in September, with new orders and the average employee workweek rebounding from some weakness in the previous release and shipments accelerating. Nearly 35% of respondents said orders had increased in September, with 27.7% citing declines. Employment growth changed little for the month, expanding only slightly. Inventories continued to deteriorate in September, albeit at a slower pace, with reduced stockpiles for the sixth consecutive month.

Meanwhile, manufacturers in the Empire State Manufacturing Survey remain upbeat about stronger activity over the next six months. The forward-looking composite index increased from 34.3 in August to 40.3 in September. Roughly 53% expect new orders and shipments to rise moving forward, with 31.0% and 30.2% anticipating more employment and capital spending, respectively. The capital expenditures measure registered the strongest reading since March.

- **Philadelphia Fed Manufacturing Survey:** Continuing to show signs of recovery post-COVID-19, manufacturing activity expanded for the fourth straight month in September, albeit at a slower pace. The composite index declined from 17.2 in August to 15.0 in September, but with faster growth in new orders, shipments and employment. The average employee workweek slowed, and inventories deteriorated further. Nearly 42% of respondents said sales had risen in September, with 16.2% citing declining orders and 42.1% suggesting that orders were flat for the month. In a special question, respondents noted that current production is 85% of pre-pandemic levels on average.

At the same time, manufacturers in the district remained very positive in their outlook, with business leaders expecting the sector to continue rebounding in the coming months. The forward-looking composite index rose from 38.8 in August to 56.6 in September, and 72.4% of respondents anticipate orders to rise over the next six months, with 15.5% predicting declines. In addition, 45.9% and 35.6% see higher employment and capital spending, respectively, over the next six months.

- **Retail Sales:** Consumer spending at retailers rose 0.6% in August, slowing from the 0.9% gain in July but increasing for the fourth straight month. Overall, retail sales have slowed from the more robust paces in May and June, when businesses began to reopen from stay-at-home orders and when government transfer payments likely boosted spending. At the same time, Americans continue to spend modestly, with activity above pre-pandemic levels for the third consecutive month. This contrasts with many other economic measures, including production and employment. Over the past 12 months, retail sales have risen 2.6%, but with motor vehicles and parts and gasoline excluded, spending has increased by a relatively decent 4.0% since August 2019.
In August, consumers spent more at food services and drinking places (up 4.7%), clothing and accessories stores (up 2.9%), furniture and home furnishings stores (up 2.1%) and building and garden supplies stores (up 2.0%), among others. Meanwhile, retail sales fell at sporting goods and hobby stores (down 5.7%), department stores (down 2.3%), grocery stores (down 1.6%) and miscellaneous store retailers (down 0.2%).

The bright spots on a year-over-year basis included nonstore retailers (up 22.4%), building material and garden supply stores (up 15.4%), sporting goods and hobby stores (up 11.1%) and food and beverage stores (up 10.0%). In contrast, clothing and accessory stores (down 20.4%), department stores (down 16.9%), food services and drinking places (down 15.4%) and gasoline stations (down 15.4%) led the declines in retail sales over the past 12 months.

- **State Employment Report:** New York created the most net new manufacturing jobs in August, adding 6,200 workers. Other states with notable employment growth for the month included Minnesota (up 5,200), Illinois (up 4,900), Indiana (up 4,900), Ohio (up 4,500) and Michigan (up 3,500). Despite gains over the past four 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 96,500), Michigan (down 61,700), Texas (down 42,400), New York (down 40,800), Pennsylvania (down 40,600), North Carolina (down 40,200) and Ohio (down 39,600).

The national unemployment rate dropped sharply from 10.2% in July to 8.4% in August, and the unemployment rate fell in 41 states in the latest data. Nevada had the highest unemployment in the country at 13.2%, followed by Rhode Island (12.8%), Hawaii (12.5%), New York (12.5%) and California (11.4%). At the other end of the spectrum, the lowest unemployment rates in the United States in August occurred in Nebraska (4.0%), Utah (4.1%), Idaho (4.2%), South Dakota (4.8%) and Vermont (4.8%).

- **University of Michigan Consumer Sentiment:** Consumer confidence rose to a six-month high, up from 74.1 in August to 78.9 in September, according to preliminary data from the University of Michigan and Thomson Reuters. Americans were more upbeat in their assessments of both current conditions and future expectations. Still, consumer confidence remains well below the levels seen before the COVID-19 outbreak. The headline index reached a nearly two-year high in February at 101.0, before plummeting to 71.8 in April, the lowest level since December 2011.

- **Weekly Initial Unemployment Claims:** Initial unemployment claims totaled 860,000 for the week ending Sept. 12, down from 893,000 for the week ending Sept. 5. Initial claims have decelerated since peaking at 6,867,000 for the week ending March 28, averaging nearly 988,000 over the past seven weeks. However, they remain highly elevated, illustrating continuing pain in the labor
market. To put the current numbers in perspective, initial claims peaked during the Great Recession at 665,000 for the week ending March 28, 2009.

Meanwhile, continuing claims declined from 13,544,000 for the week ending Aug. 29 to 12,628,000 for the week ending Sept. 5. These data have also eased notably since peaking at 24,912,000 for the week ending May 9, even as it remains clear that too many Americans remain unemployed in the U.S. economy overall. In the latest data, 8.6% of the workforce received unemployment insurance, down from 9.3% in the previous report.

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