

Economic Update, January 14, 2022
Submitted by Kevin Vanzant

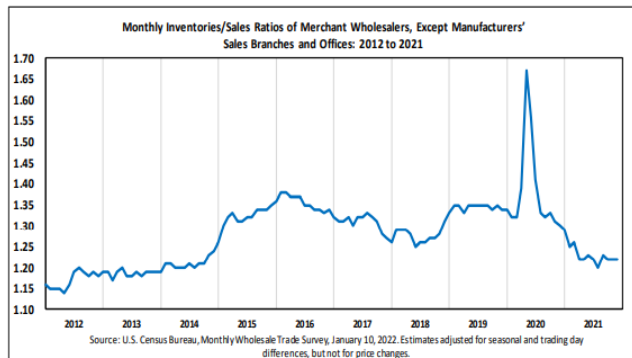
Summary: Inflation data took center stage this week. The consumer price index rose 0.5 percent in December, bringing the year-over-year gain to 7 percent, the highest since June 1982, and wholesale prices increased 0.2 percent in December, bringing that measure's year-over-year gain to 9.7 percent, the biggest calendar-year rise since the Bureau of Labor Statistics began keeping the data in 2010. Short-term inflation expectations, however, according to a survey released by the New York Federal Reserve, held steady in December after rising steadily for more than a year, and U.S. small business confidence did increase modestly in December, even with growing concerns about inflation and worker shortages, according to National Federation of Independent Business Survey. The University of Michigan's preliminary Consumer Sentiment Index, on the other hand, fell in January to 68.8, the [second-lowest](#) in a decade, with inflation and the fast-spreading omicron variant being the two leading concerns in that survey. Federal Reserve Chair Jerome Powell, in testimony to Congress this week, noted the high current levels of inflation and said that the Fed would be adjusting policies this year to prevent inflation from becoming entrenched. Retail sales declined 1.9 percent in December, considerably [worse](#) than the Dow Jones forecast for a 0.1 percent drop, but overall, retail sales were up 16.9 percent in 2021 from 2020, and U.S. wholesale inventories increased [more](#) than initially thought in November. Initial unemployment claims increased to a total of 230,000 last week but still remained low compared to their pandemic-era averages, and mortgage applications climbed 1.4 percent.

Federal Government Indicators and Reports:

Census Bureau

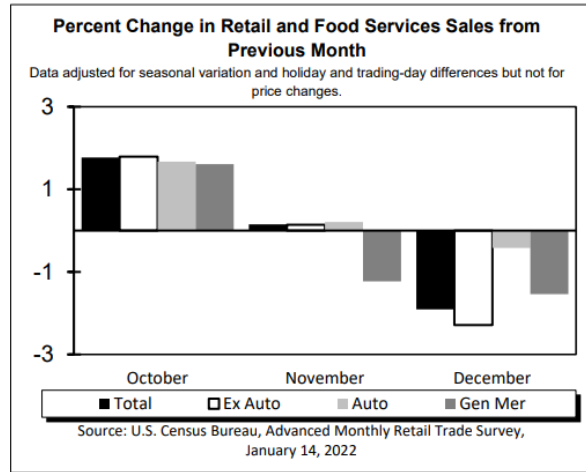
Monday, [Wholesale Sales and Inventories](#): "November 2021 sales of merchant wholesalers . . . were \$630.8 billion, up 1.3 percent from the revised October level and were up 23.3 percent from the revised November 2020 level. . . . Total inventories of merchant wholesalers . . . were \$771.1 billion at the end of November, up 1.4 percent from the revised October level. Total inventories were up 15.9 percent from the revised November 2020 level."

MONTHLY WHOLESALE INVENTORIES		
NOVEMBER 2021	\$771.1 billion	+1.4%
OCTOBER 2021 (revised)	\$760.7 billion	+2.5%
Next release: February 9, 2022		
* The 90 percent confidence interval includes zero. There is insufficient evidence to conclude that the actual change is different from zero.		
Data adjusted for seasonality but not price changes.		
Source: U.S. Census Bureau, Monthly Wholesale Trade Survey, January 10, 2022.		



Friday, [Retail Sales](#): "Advance estimates of U.S. retail and food services sales for December 2021, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$626.8 billion, a decrease of 1.9 percent from the previous month, but 16.9 percent above December 2020. Total sales for the 12 months of 2021 were up 19.3 percent from 2020."

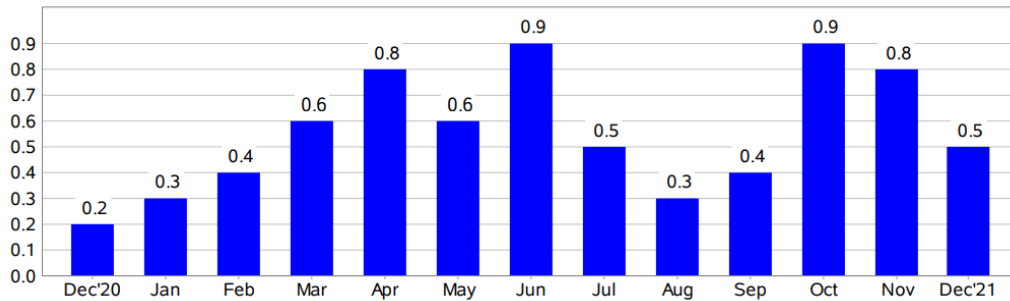
ADVANCE MONTHLY SALES		
December 2021	\$626.8 billion	-1.9%
November 2021 (revised)	\$639.1 billion	0.2%*
Next release: February 16, 2022		
<small>* The 90 percent confidence interval includes zero. There is insufficient statistical evidence to conclude that the actual change is different from zero. 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, January 14, 2022</small>		



Bureau of Labor Statistics

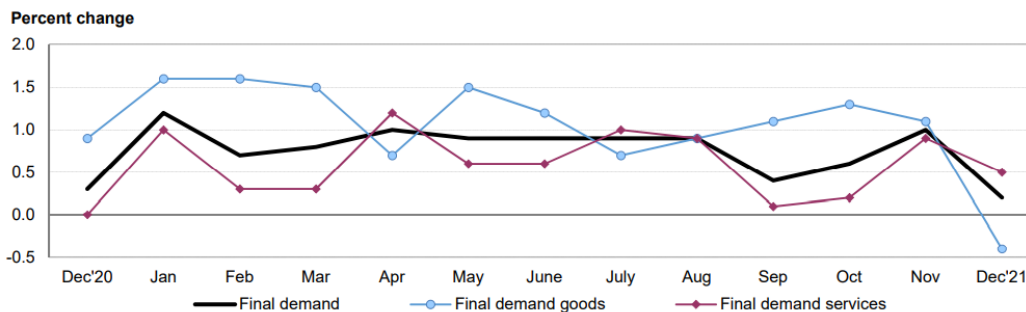
Wednesday, [Consumer Price Index](#): “The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.5 percent in December on a seasonally adjusted basis after rising 0.8 percent in November. . . . The all items index rose 7.0 percent for the 12 months ending December, the largest 12-month increase since the period ending June 1982.”

Chart 1. One-month percent change in CPI for All Urban Consumers (CPI-U), seasonally adjusted, Dec. 2020 - Dec. 2021



Thursday, [Producer Price Indexes](#): “The Producer Price Index for final demand increased 0.2 percent in December, seasonally adjusted. . . . This rise followed advances of 1.0 percent in November and 0.6 percent in October. On an unadjusted basis, final demand prices moved up 9.7 percent in 2021, the largest calendar-year increase since data were first calculated in 2010.”

One-month percent changes in selected PPI final demand price indexes, seasonally adjusted



Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending January 8, the advance figure for seasonally adjusted initial claims was 230,000, an increase of 23,000 from the previous week’s unrevised level of 207,000. . . . The advance seasonally adjusted insured unemployment rate was 1.1 percent for the week ending January 1, a decrease of 0.2 percentage point from the previous week’s unrevised rate. The advance number for seasonally adjusted insured unemployment during the week ending January 1 was 1,559,000, a decrease of 194,000 from the previous week’s revised level. This is the lowest level for insured unemployment since June 2, 1973 when it was 1,556,000.”

Federal Reserve

Tuesday, [Nomination Hearing, Jerome Powell](#): “We are strongly committed to achieving our statutory goals of maximum employment and price stability. We will use our tools to support the economy and a strong labor market and to prevent higher inflation from becoming entrenched.”

Friday, [Industrial Production](#): “Industrial production declined 0.1 percent in December. Losses of 0.3 percent for manufacturing and 1.5 percent for utilities were mostly offset by a gain of 2.0 percent for mining. For the fourth quarter as a whole, total industrial production rose at an annual rate of 4.0 percent. At 101.9 percent of its 2017 average, total industrial production in December was 3.7 percent higher than it was at the end of 2020 and 0.6 percent above its pre-pandemic (February 2020) reading.”

Federal Reserve Bank of New York

Monday, [Survey of Consumer Expectations](#): “The December 2021 Survey of Consumer Expectations . . . shows that both short- and medium-term inflation expectations were unchanged. Uncertainty and disagreement about future inflation decreased at both the short- and medium-term horizons. Home price expectations rose in December but remained below their May 2021 peak. Households reported increased optimism about their labor market prospects, with earnings growth, job loss, and job finding expectations all improving. Households’ income growth expectations also improved, rising to a new series high.”

Economic Indicators and Confidence:

National Federation of Independent Business:

Tuesday, [Small Business Optimism Index](#): “The Optimism Index increased slightly in December by 0.5 points to 98.9. Seven of the 10 Index components improved and three declined. Twenty-two percent of owners reported that inflation was their single most important problem encountered in operating their business. Owners expecting better business conditions over the next six months increased 3 points to a net negative 35 percent. Owners remain pessimistic about future economic conditions as this indicator has declined 23 points over the past six months. Forty-nine percent of owners reported job openings that could not be filled, an increase of 1 point from November.”

Investor’s Business Daily/TechnoMetrica Institute of Policy and Politics (IBD/TIPP)

Tuesday, [Economic Optimism](#): “The overall IBD/TIPP Economic Optimism Index, an early monthly read on consumer confidence, sank 3.7 points to 44.7, firmly downbeat territory. Readings below the neutral 50 level reflect pessimism.”

University of Michigan

Friday, [Survey of Consumers](#): “Sentiment posted a small loss in early January (-2.5%), falling to the second lowest level in a decade, which was recorded in November (67.4). The Sentiment Index has averaged just 70.3 in the past six months, whereas in the first six months of 2021 it averaged 82.9. While the Delta and Omicron variants certainly contributed to this downward shift, the decline was also due to an escalating inflation rate. Three-quarters of consumers in early January ranked inflation, compared with unemployment, as the more serious problem facing the nation. Given that inflation’s impact is regressive, the Sentiment Index fell by 9.4% among households with total incomes below \$100,000 in early January but rose by 5.7% among households with incomes over that amount. The same split was observed for prospects for the national economy, with lower income households more negative, and higher income households holding a more positive outlook.”

Preliminary Results for January 2022

	Jan 2022	Dec 2021	Jan 2021	M-M Change	Y-Y Change
Index of Consumer Sentiment	68.8	70.6	79.0	-2.5%	-12.9%
Current Economic Conditions	73.2	74.2	86.7	-1.3%	-15.6%
Index of Consumer Expectations	65.9	68.3	74.0	-3.5%	-10.9%

Mortgages and Housing Markets:

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 1.4 percent from one week earlier . . . for the week ending January 7, 2022.” Joel Kan, MBA’s Associate Vice President of Economic and Industry Forecasting, said that “the housing market started 2022 on a strong note. . . . MBA expects solid growth in purchase activity this year, as demographic drivers and the strong economy support housing demand. However, the strength in growth will be dependent on housing inventory growing more rapidly to meet demand.”