

Economic Update, January 28, 2022
Submitted by Michael Mount

Summary: Economic growth continues, though the outlook has moderated. While GDP growth was able to outpace inflation, gains in private wages and salaries were more than offset by inflation over the past year, decreasing 1.9 percent in real terms. The Federal Reserve expects it will soon be appropriate to increase interest rates to combat inflation that is well above its target of 2 percent. Consumer confidence ticked down in December, and according to Lynn Franco, Senior Director of Economic Indicators at The Conference Board, “expectations about short-term growth prospects weakened, pointing to a likely moderation in growth during the first quarter of 2022.” According to IHS Markit, “U.S. private sector firms signaled a marked slowdown in growth at the start of 2022 amid softer demand conditions, worsening supply chain disruptions, and labor shortages linked to the Omicron wave.”

Federal Government Indicators and Reports

U.S. Census

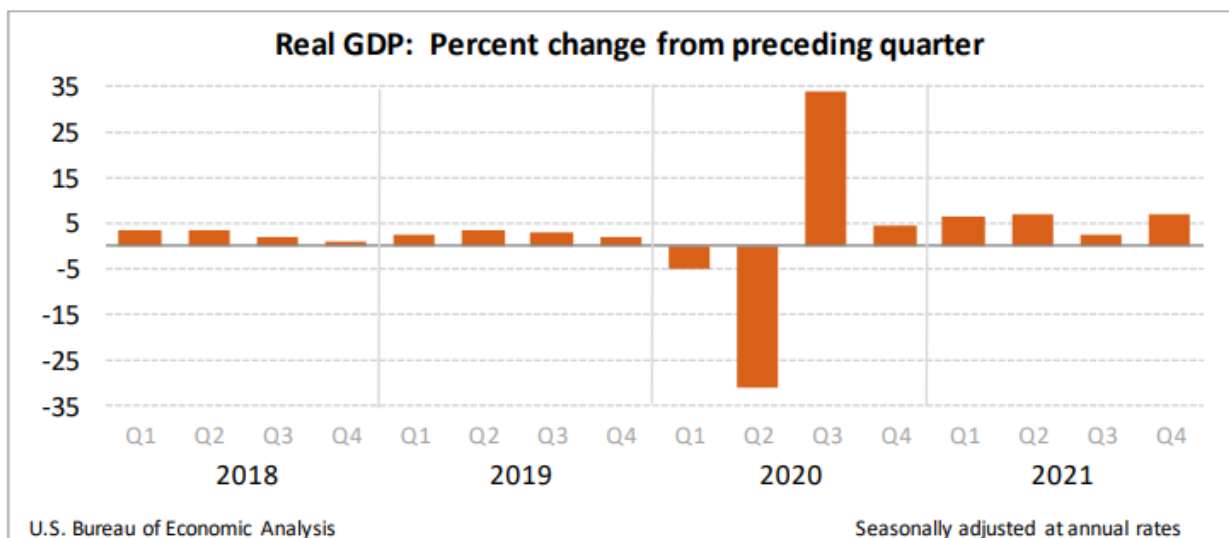
Wednesday, [International Trade](#): “The international trade deficit was \$101.0 billion in December, up \$2.9 billion from \$98.0 billion in November. Exports of goods for December were \$157.3 billion, \$2.2 billion more than November exports. Imports of goods for December were \$258.3 billion, \$5.1 billion more than November imports.”

Wednesday, [New Home Sales](#): “Sales of new single-family houses in December 2021 were at a seasonally adjusted annual rate of 811,000. . . . An estimated 762,000 new homes were sold in 2021. This is 7.3 percent below the 2020 figure of 822,000.”

Thursday, [Durable Goods](#): “New orders for manufactured durable goods in December decreased \$2.4 billion or 0.9 percent to \$267.6 billion.” New orders for nondefense capital goods, excluding aircraft, remained unchanged at \$79 billion.

Bureau of Economic Analysis

Thursday, [Gross Domestic Product](#): “Real gross domestic product (GDP) increased at an annual rate of 6.9 percent in the fourth quarter of 2021. . . . In the third quarter, real GDP increased 2.3 percent. . . . The acceleration in real GDP in the fourth quarter primarily reflected an upturn in exports, accelerations in private inventory investment and personal consumption expenditures, and smaller decreases in residential fixed investment and federal government spending that were partly offset by a downturn in state and local government spending.”



Friday, [Personal Income and Outlays](#): “Real disposable personal income (DPI) decreased 0.2 percent in December and real personal consumption expenditures (PCE) decreased 1.0 percent; goods decreased 3.1 percent and services increased 0.1 percent. The PCE price index increased 0.4 percent. Excluding food and energy, the PCE price index increased 0.5 percent.”

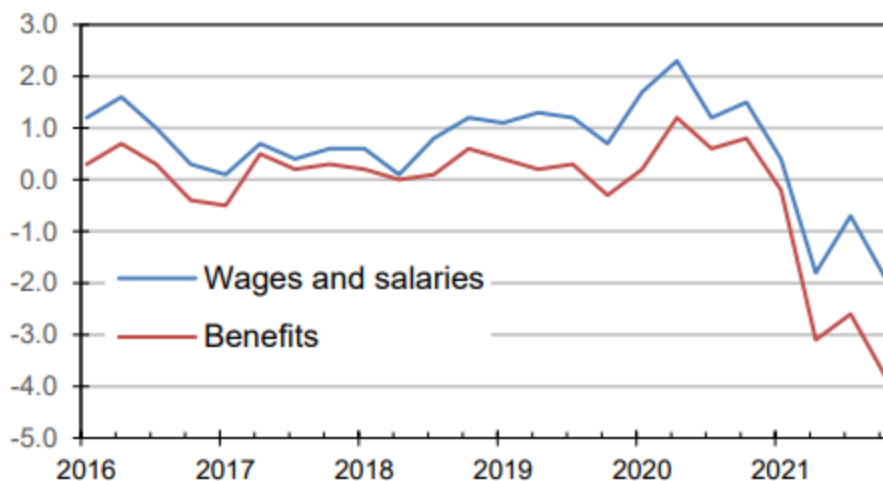
Bureau of Labor Statistics

Tuesday, [State Employment and Unemployment](#): “Unemployment rates were lower in December in 42 states and the District of Columbia and stable in 8 states.” Tennessee’s unemployment rate decreased from 4.0 percent to 3.8 percent from November to December 2021.

Wednesday, [Business Employment Dynamics](#): “The difference between the number of gross job gains and the number of gross job losses yielded a net employment gain of 893,000 jobs in the private-sector during the second quarter of 2021.”

Friday, [Employment Cost Index](#): “Compensation costs for civilian workers increased 1.0 percent, seasonally adjusted, for the 3-month period ending in December 2021. . . . Wages and salaries increased 1.1 percent and benefit costs increased 0.9 percent from September 2021. . . . Inflation-adjusted private wages and salaries declined 1.9 percent for the 12 months ending December 2021. Inflation-adjusted benefit costs in the private sector declined 3.8 percent.”

Chart 4. Twelve-month percent change, constant dollar, private industry workers



Department of Labor

Thursday, [Initial Claims](#): “In the week ending January 22, the advance figure for . . . initial claims was 260,000, a decrease of 30,000 from the previous week’s revised level.”

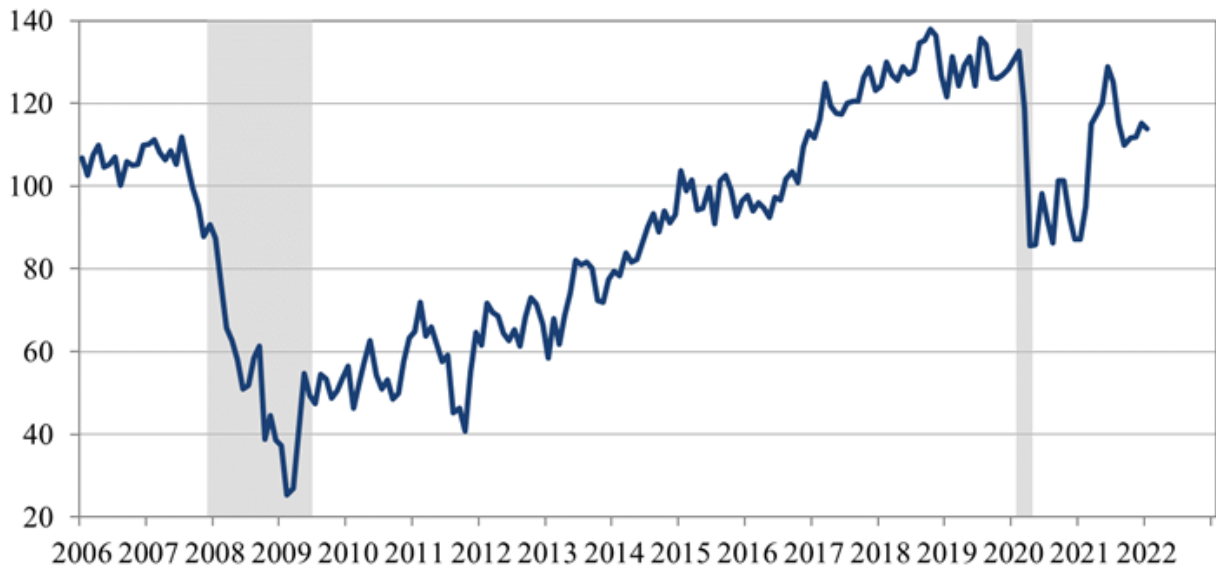
Economic Indicators and Confidence

The Conference Board

Tuesday, [Consumer Confidence](#): The index “declined in January, after an increase in December. The Index now stands at 113.8, down from 115.2 in December.” According to Lynn Franco, Senior Director of Economic Indicators at The Conference Board, “expectations about short-term growth prospects weakened, pointing to a likely moderation in growth during the first quarter of 2022.”

Consumer Confidence Index®

Index, 1985 = 100



*Shaded areas represent periods of recession.

Sources: The Conference Board; NBER

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Federal Reserve

Monday, [National Activity Index](#): “Led by declines in production-related indicators,” the index “fell to -0.15 in December from $+0.44$ in November. . . . Manufacturing production decreased 0.3 percent in December after increasing 0.6 percent in November, and manufacturing capacity utilization moved down by 0.2 percentage points in December after increasing by 0.4 percentage points in the previous month.”

Wednesday, [FOMC Statement](#): “Indicators of economic activity and employment have continued to strengthen. . . . With inflation well above 2 percent and a strong labor market, the Committee expects it will soon be appropriate to raise the target range for the federal funds rate.”

IHS Markit

Monday, [Composite PMI](#): “U.S. private sector firms signalled a marked slowdown in growth at the start of 2022 amid softer demand conditions, worsening supply chain disruptions, and labor shortages linked to the Omicron wave.” The index “posted 50.8 in January, down notably from 57.0 in December.”

Mortgages and Housing Markets

S&P CoreLogic Case-Shiller

Tuesday, [Home Price Index](#): The index “reported an 18.8 percent annual gain in November, down from 19.0 percent in the previous month.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 7.1 percent from one week earlier.” According to Joel Kan, MBA’s Associate Vice President of Economic and Industry

Forecasting, “all mortgage rates in MBA's survey continued to climb. . . . Unsurprisingly, borrower demand for refinances subsided.”