Economic Update, April 1, 2022

Submitted by Bob Moreo

Summary: Happy April! This week's news brought several signs that the U.S. economy is still showing strength, although brief yield curve inversions could be a sign of problems to come. Historically, inversions have been reliable recession predictors, but some argued this week that this time is different. "We think it's very dangerous at this point to use historical episodes of yield curve inversion to try to predict what will happen now," one portfolio manager told Yahoo Finance, "because if you look at some of the broader economic data, . . . firms are really trying to expand." Another said the curve "needs to invert for some time, typically three months, to be a very accurate indicator," and even then, "it takes about 18 months on average for a recession to occur."

Monday's advance trade report showed the U.S. trade deficit narrowed slightly in February—the first decrease in three months—but remains near its all-time high. "Imports have flirted repeatedly with record highs over the past year," according to MarketWatch, as "the U.S. economy recovered rapidly from the pandemic and Americans could afford to resume their free-spending ways." Now, U.S. exports are also on the rise, and "big increases in retail and wholesale inventories . . . signal the economy likely expanded at a solid pace in the first quarter."

A report released Tuesday by the Department of Labor showed job openings "hovered at a near-record level in February," according to ABC News, "continuing a trend that Federal Reserve officials see as a driver of inflation." Turnover was high, *The Washington Post* reported, "with 4.4 million workers leaving their positions," while "employers hired 6.7 million people." Wednesday's payroll report from ADP showed a gain of 455,000 private-sector jobs in February, slightly better than expected, according to Reuters, while Friday's employment report for March fell short of expectations, CNBC reported.

Federal Government Indicators and Reports:

Bureau of Economic Analysis

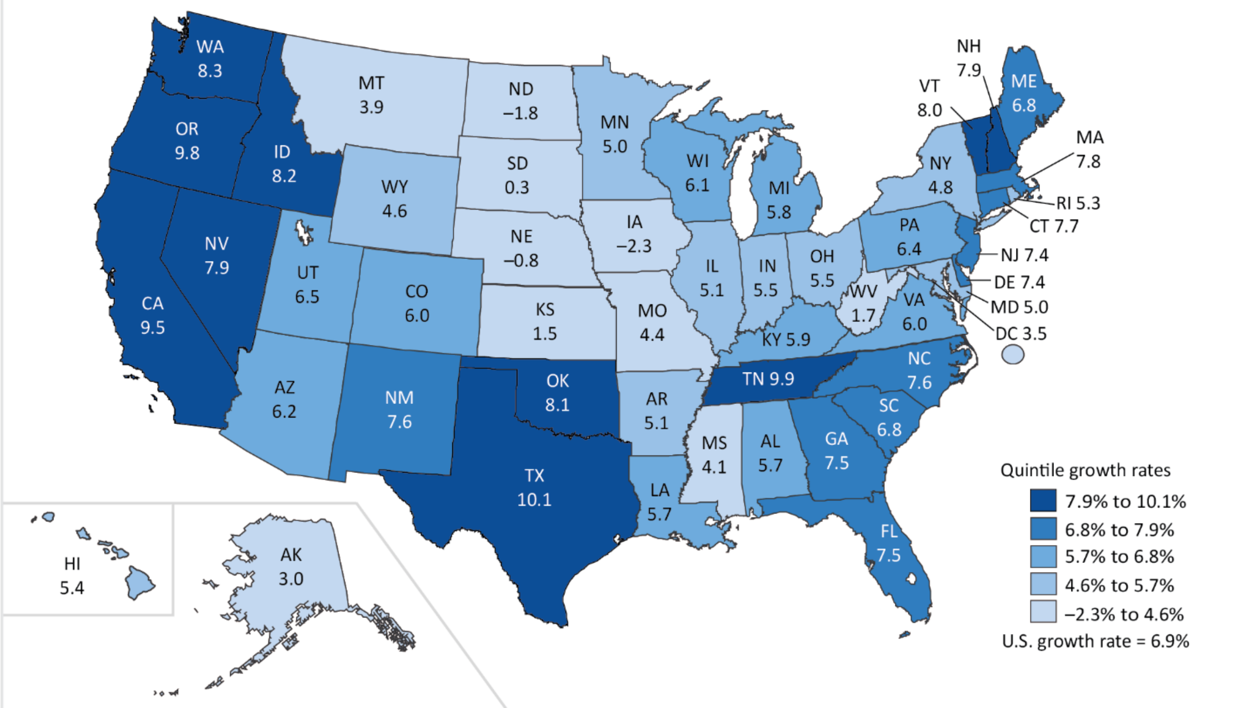
Wednesday, Gross Domestic Product and Corporate Profits: "Real gross domestic product (GDP) increased at an annual rate of 6.9 percent in the fourth quarter of 2021, according to the 'third' estimate released by the Bureau of Economic Analysis. . . . Real GDP accelerated in the fourth quarter, increasing 6.9 percent after increasing 2.3 percent in the third quarter. The acceleration in real GDP primarily reflected an acceleration in private inventory investment, upturns in exports and in residential fixed investment, and an acceleration in consumer spending that were partly offset by a downturn in state and local government spending."

"Real gross domestic income (GDI) increased 5.1 percent in the fourth quarter, compared with an increase of 6.4 percent in the third quarter. . . . Profits from current production . . . increased $20.4 billion in the fourth quarter, compared with an increase of $96.9 billion in the third quarter. . . . Real gross output—principally a measure of an industry's sales or receipts, which includes sales to final users in the economy (GDP) and sales to other industries (intermediate inputs)—increased 3.8 percent in the fourth quarter."

Thursday, Personal Income and Outlays: "Personal income increased $101.5 billion (0.5 percent) in February. . . . Disposable personal income (DPI) increased $76.1 billion (0.4 percent) and personal consumption expenditures (PCE) increased $34.9 billion (0.2 percent). . . . The $34.9 billion increase in current-dollar PCE in February reflected an increase of $93.8 billion in spending for services that was partly offset by a $58.9 billion decrease in spending for goods."

Thursday, [GDP by State](): "Real gross domestic product (GDP) increased in 47 states and the District of Columbia in the fourth quarter of 2021, as real GDP for the nation increased at an annual rate of 6.9 percent."

Real GDP: Percent Change at Annual Rate, 2021:Q3–2021:Q4



U.S. Bureau of Economic Analysis

Bureau of Labor Statistics

Tuesday, [Job Openings and Labor Turnover](): "The number of job openings was little changed at 11.3 million on the last business day of February. . . . Hires edged up to 6.7 million while total separations were little changed at 6.1 million. . . . The number and rate of quits were little changed at 4.4 million and 2.9 percent, respectively. . . . Over the 12 months ending in February 2022, hires totaled 77.0 million and separations totaled 70.6 million, yielding a net employment gain of 6.4 million."

Friday, [Employment Situation](): "Total nonfarm payroll employment rose by 431,000 in March, and the unemployment rate declined to 3.6 percent. . . . The number of unemployed persons decreased by 318,000 to 6.0 million. . . . The labor force participation rate, at 62.4 percent, changed little in March."

Census Bureau

Monday, [Advance Economic Indicators](): "The international trade deficit was $106.6 billion in February, down $1.0 billion from $107.6 billion in January. Exports of goods for February were $157.2 billion, $1.9 billion more than January exports. Imports of goods for February were $263.7 billion, $0.9 billion more than January imports. . . . Wholesale inventories for February . . . were estimated at an end-of-month level of $814.8 billion, up 2.1 percent from January. . . . Retail inventories for February . . . were estimated at an end-of-month level of $665.6 billion, up 1.1 percent."

Friday, [Construction Spending](): "Construction spending during February 2022 was estimated at a seasonally adjusted annual rate of $1,704.4 billion, 0.5 percent above the revised January estimate of

$1,695.5 billion. The February figure is 11.2 percent above the February 2021 estimate of $1,533.3 billion. During the first two months of this year, construction spending amounted to $237.8 billion, 10.4 percent above the $215.4 billion for the same period in 2021."

Department of Labor

Thursday, Unemployment Insurance Weekly Claims: "In the week ending March 26, the advance figure for seasonally adjusted initial claims was 202,000, an increase of 14,000 from the previous week's revised level. . . . The 4-week moving average was 208,500, a decrease of 3,500 from the previous week's revised average."

Economic Indicators and Confidence:

The Conference Board

Tuesday, Consumer Confidence Survey: Consumers' confidence "increased slightly in March, after a decrease in February. The Index now stands at 107.2 (1985=100), up from 105.7 in February. The Present Situation Index—based on consumers' assessment of current business and labor market conditions—improved to 153.0 from 143.0 last month. However, the Expectations Index—based on consumers' short-term outlook for income, business, and labor market conditions—declined to 76.6 from 80.8."

State Street

Wednesday, Global Investor Confidence: "The Global Investor Confidence Index decreased to 99.7, down 4.2 points from February's revised reading of 103.9. The decrease was led by a 10.9 drop in European ICI to 82.9 as well as an 8.2 drop in Asian ICI to 88.7. North American ICI also dropped 3.3 points to 103.1."

Employment and Businesses:

ADP

Wednesday, National Employment Report: "Private sector employment increased by 455,000 jobs from February to March." According to ADP chief economist Nela Richardson, "job growth was broad-based across sectors in March, contributing to the nearly 1.5 million jobs added for the first quarter in 2022."

Gallup

Tuesday, Economic Confidence: "Roughly one in five Americans mention the high cost of living/inflation (17 percent), or fuel prices (4 percent) specifically, as the most important problem facing the U.S. today. . . . Americans have grown more pessimistic about the economy over the past month, with 75 percent now saying conditions are getting worse, up from 70 percent in February and 67 percent in January. . . . Americans also have a rather bleak view of current economic conditions, with just 22 percent considering them excellent or good while 35 percent term them "only fair" and 44 percent poor. . . . Gallup summarizes its economic assessments in its Economic Confidence Index, which registered -39 in February. This is the lowest confidence score since the pandemic began."

Institute for Supply Management

Friday, Manufacturing Purchasing Managers' Index: "The March Manufacturing PMI registered 57.1 percent, a decrease of 1.5 percentage points from the February reading of 58.6 percent. This figure indicates expansion in the overall economy for the 22nd month in a row after a contraction in April and

May 2020. This is the lowest reading since September 2020 (55.4 percent). The New Orders Index registered 53.8 percent, down 7.9 percentage points compared to the February reading of 61.7 percent."

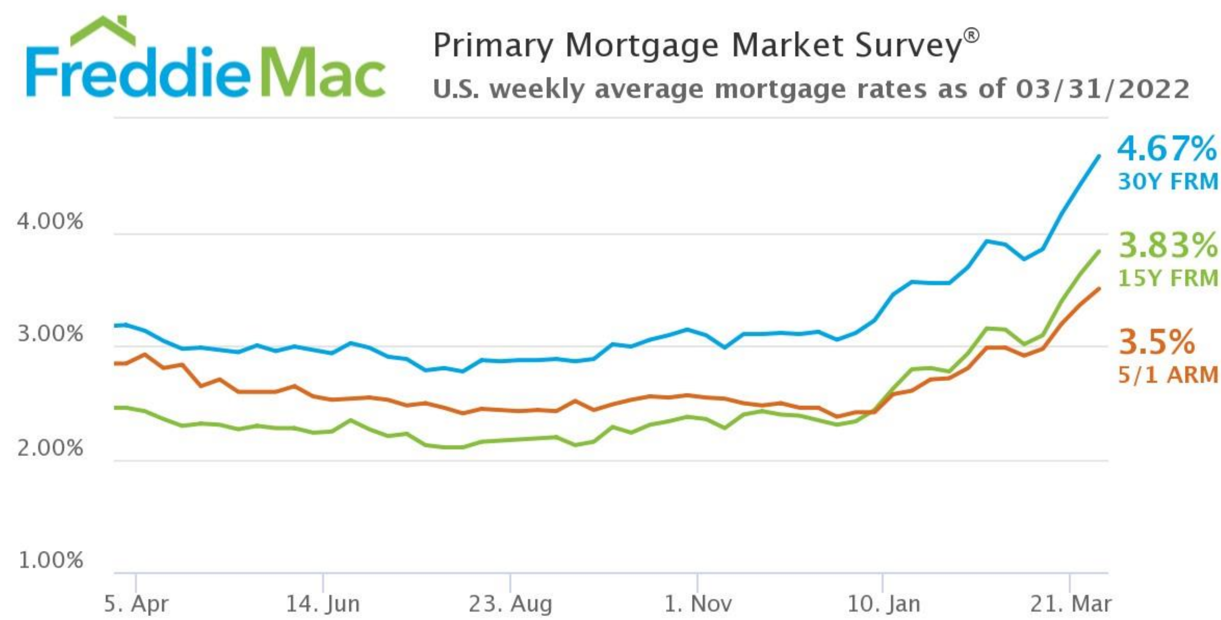
Paychex | IHS Markit

Tuesday, Small Business Employment Watch: "Hourly earnings growth continued to advance for the tenth consecutive month for workers of U.S. small businesses. . . . The report also showed that national small business job growth remained near its recent record high, moderating 0.03 percent in March. The national jobs index stands at 101.29, increasing 7.47 percent over the past year. Hourly earnings growth grew to 4.76 percent year-over-year."

Mortgages and Housing Markets:

Freddie Mac

Thursday, Primary Mortgage Market Survey: "30-year fixed-rate mortgage averaged 4.67 percent with an average 0.8 point for the week ending March 31, 2022, up from last week when it averaged 4.42 percent. A year ago at this time, the 30-year FRM averaged 3.18 percent."



S&P CoreLogic

Tuesday, Case-Shiller National Home Price Index: "The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, reported a 19.2 percent annual gain in January, up from 18.9 percent in the previous month. . . . After seasonal adjustment, the U.S. National Index posted a month-over-month increase of 1.6 percent."