

Economic Update, June 17, 2022  
Submitted by Michael Mount

Summary: The big news this week was the Fed raising its key interest rate 0.75 percent to combat inflation. The Conference Board's leading index suggested that "weaker economic activity is likely in the near term—and tighter monetary policy is poised to dampen economic growth even further." Americans are more pessimistic about the U.S. economy than they've been in more than a decade, according to a survey by Investors Business Daily, as the housing market also weakened. One bright spot, however, was industrial production, which moved up 0.2 percent in May.

**Federal Government Indicators and Reports**

Bureau of Labor Statistics

Tuesday, [Producer Price Index](#): The index "increased 0.8 percent in May. . . . This rise followed advances of 0.4 percent in April and 1.6 percent in March. On an unadjusted basis, final demand prices moved up 10.8 percent for the 12 months ended in May."

U.S. Census Bureau

Wednesday, [Retail Sales](#): Advance monthly sales were an estimated \$672.9 billion in May 2022, down 0.3 percent from April 2022. Sales of motor vehicles and parts decreased 3.5 percent.

Wednesday, [Manufacturing](#): "The combined value of distributive trade sales and manufacturers' shipments for April . . . was estimated at \$1,813.9 billion, up 0.4 percent from March 2022 and was up 13.7 percent from April 2021." Inventories were up 1.2 percent from March 2022 and 16.6 percent from April 2021.

Thursday, [New Residential Construction](#): "Privately-owned housing starts in May were at a seasonally adjusted annual rate of 1,549,000. This is 14.4 percent below the revised April estimate of 1,810,000 and is 3.5 percent below the May 2021 rate of 1,605,000."

Bureau of Labor Statistics

Wednesday, [Import and Export Prices](#): "U.S. import prices rose 0.6 percent in May, after advancing 0.4 percent in April. . . . Higher fuel prices in May offset lower nonfuel prices. The price index for U.S. exports increased 2.8 percent in May following a 0.8-percent rise the previous month."

**Economic Indicators and Confidence**

Federal Reserve

Monday, [Consumer Inflation Expectations](#): "The one-year ahead median inflation expectations increased from 6.3 percent to 6.6 percent in May, tying the highest reading of the series since the inception of the survey in June 2013. In contrast, the median three-year-ahead inflation expectations remained unchanged at 3.9 percent."

Wednesday, [Interest Rate Decision](#): The Fed raised its key interest rate by 75 basis points. "Overall economic activity appears to have picked up after edging down in the first quarter. Job gains have been robust in recent months, and the unemployment rate has remained low. Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher energy prices, and broader price pressures."

Wednesday, [Economic Projections](#): The median projection for real GDP growth in 2022 was reduced from 2.8 percent to 1.7 percent from March to June 2022. For personal consumption expenditures inflation, the median projection increased from 4.3 percent to 5.2 percent.

Friday, [Industrial Projection](#): “Total industrial production moved up 0.2 percent in May. Output has increased in every month of the year so far, with an average monthly gain of nearly 0.8 percent.” Capacity utilization increased from 78.9 percent to 79.0 percent.

National Federation of Independent Businesses

Tuesday, [Small Business Optimism](#): The index “fell 0.1 points in May to 93.1. . . . ‘Inflation continues to outpace compensation which has reduced real incomes across the nation,’ said NFIB Chief Economist Bill Dunkelberg. ‘Small business owners remain very pessimistic about the second half of the year as supply chain disruptions, inflation, and the labor shortage are not easing.’”

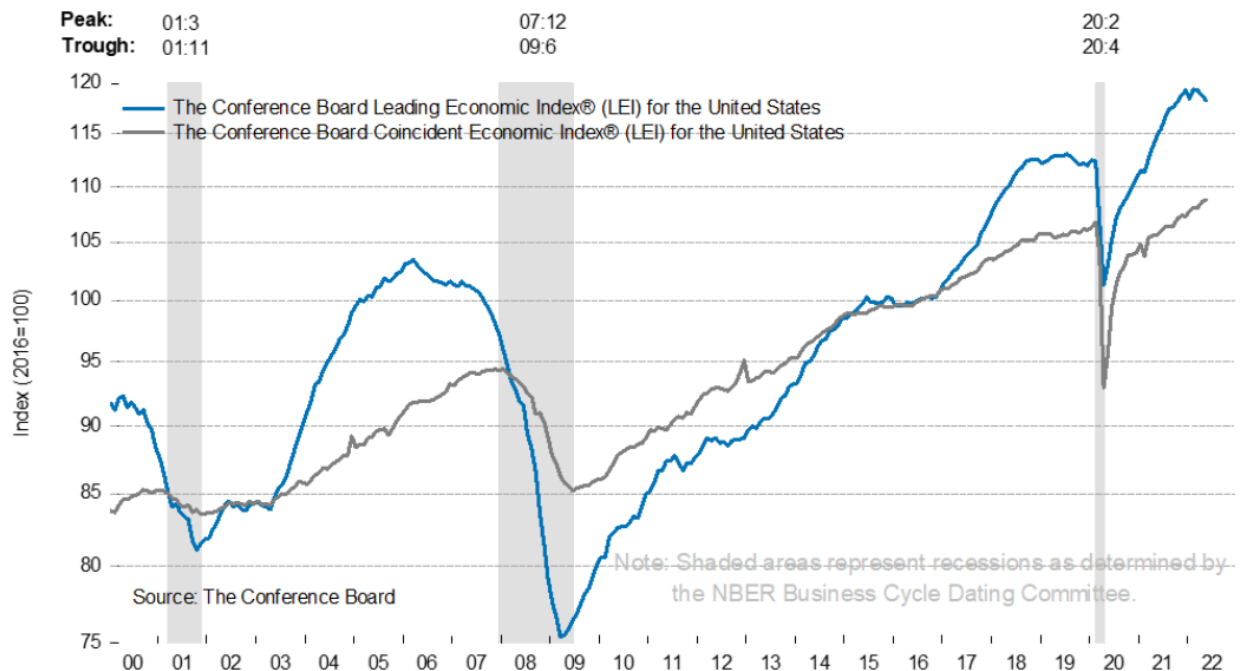
Investors Business Daily

Tuesday, [Economic Optimism](#): “Americans are more pessimistic about the U.S. economy than they've been in more than a decade, as inflation cancels out wage gains and the S&P 500 slides into bear market territory.” The index “sank 3.1 points to 38.1, the lowest reading since August 2011.”

The Conference Board

Friday, [C-suite Outlook](#): “More than 60 percent of CEOs globally say they expect a recession in their primary region of operations before the end of 2023 or earlier, a sentiment shared by other C-suite executives.”

Friday, [Leading Economic Index](#): The index “decreased by 0.4 percent in May 2022 to 118.3, following a 0.4 percent decline in April 2022. . . . ‘The U.S. LEI fell again in May, fueled by tumbling stock prices, a slowdown in housing construction, and gloomier consumer expectations,’ said Ataman Ozyildirim, Senior Director of Economic Research at The Conference Board.”



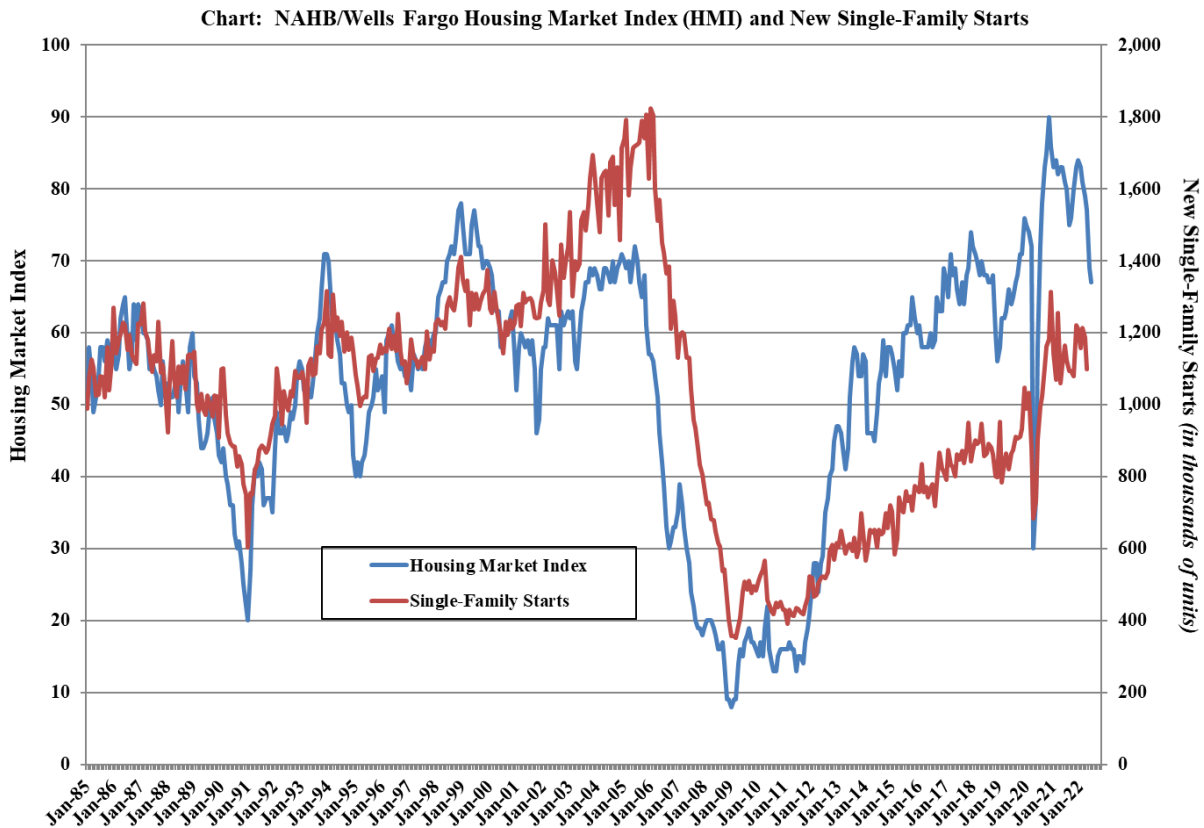
## **Mortgages and Housing Markets**

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 6.6 percent from one week earlier.” Joel Kan, associate vice president of economic and industry forecasting for MBA, said “purchase applications were down more than 15 percent compared to last year, as ongoing inventory shortages and affordability challenges have cooled demand, coinciding with the rapid jump in mortgage rates.”

National Association of Home Builders

Wednesday, [Housing Market Index](#): The index decreased from 69 to 67 from May to June 2022. New single-family housing starts decreased from 1,187,000 in March to 1,100,000 in April, the most recent months for which data is available.



Source: NAHB/Wells Fargo Housing Market Index.  
U.S. Census Bureau.