

## Economic Update, July 22, 2022

Submitted by Bob Moreo

Summary: While the country waits in anticipation of next week's Federal Open Market Committee meeting, reports published this week did nothing to refute the idea that inflation has brought economic growth to a standstill, and that swift actions by the Federal Reserve are necessary to minimize the recession many see coming over the next year. Unemployment claims have been trending upwards, despite high numbers of job openings, and increased earnings from new jobs have not kept pace with rising costs. "While historically low, claims have jumped about 50 percent from March lows," reports [Investor's Business Daily](#). "Some prior recessions have started after just a 20 percent rise in claims," noted Charles Schwab chief investment strategist Liz Ann Sonders. Residential construction has slowed, and as the [costs of materials, labor, and financing continue to rise](#), any decrease in the supply of new homes will continue to drive prices up. Sales of existing homes have been declining too, while median prices are at a record high.

[Economists surveyed by Reuters](#) expect a 75-basis-point rate hike next week, and 40 percent say a recession is likely in the coming year. [Bloomberg reported](#) expectations for another 50-basis-point increase to come in September, and half of the economists surveyed see a recession over the next 24 months. But while the Fed feels pressure to act swiftly to curb inflation—"We're as close to an inflation emergency as we've been anytime in the past 40 years," said Michael Feroli, chief U.S. economist at JPMorgan—many worry that the Fed will "raise interest rates excessively and cause unnecessary economic weakness," according to [The Wall Street Journal](#).

### **Federal Government Indicators and Reports:**

#### Bureau of Labor Statistics

Tuesday, [Usual Weekly Earnings of Wage and Salary Workers](#): "Median weekly earnings of the nation's 118.9 million full-time wage and salary workers were \$1,041 in the second quarter of 2022. . . . This was 5.2 percent higher than a year earlier, compared with a gain of 8.6 percent in the Consumer Price Index."

Wednesday, [State Job Openings and Labor Turnover](#): "Job openings rates decreased in 11 states and the District of Columbia, increased in 3 states, and were little changed in 36 states on the last business day of May." The seasonally adjusted number of job openings in Tennessee in May was 253,000 (a rate of 7.3 percent), down slightly from 265,000 (7.6 percent) in April.

Friday, [State Employment and Unemployment](#): "Unemployment rates were lower in June in 10 states and the District of Columbia, higher in 2 states, and stable in 38 states. . . . The national unemployment rate remained at 3.6 percent but was 2.3 percentage points lower than in June 2021. . . . Nonfarm payroll employment increased in 13 states, decreased in 2 states, and was essentially unchanged in 35 states and the District of Columbia in June 2022. . . . The largest job gains occurred in Texas (+82,500), Tennessee (+32,300), and Florida (+30,600). The largest percentage increase occurred in Tennessee (+1.0 percent)." Tennessee's unemployment rate in June was 3.3 percent (about 114,000 people), 1.1 percentage points lower than June 2021. Nonfarm payroll employment increased by 130,600 from June 2021 to June 2022, a 4.2 percent increase.

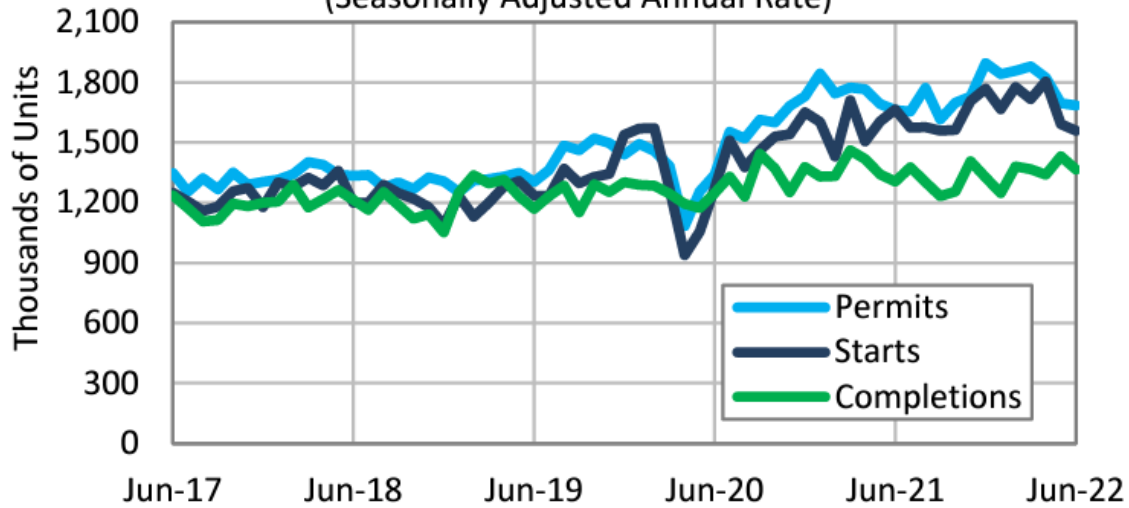
#### Census Bureau

Tuesday, [New Residential Construction](#): "Privately-owned housing units authorized by building permits in June were at a seasonally adjusted annual rate of 1,685,000. This is 0.6 percent below the

revised May rate of 1,695,000, but is 1.4 percent above the June 2021 rate of 1,661,000. Single-family authorizations in June were at a rate of 967,000; this is 8.0 percent below the revised May figure of 1,051,000. . . . Privately-owned housing starts in June were at a seasonally adjusted annual rate of 1,559,000. This is 2.0 percent below the revised May estimate of 1,591,000 and is 6.3 percent below the June 2021 rate of 1,664,000. . . . Privately-owned housing completions in June were at a seasonally adjusted annual rate of 1,365,000. This is 4.6 percent below the revised May estimate of 1,431,000, but is 4.6 percent above the June 2021 rate of 1,305,000.”

## New Residential Construction

(Seasonally Adjusted Annual Rate)



Source: U.S. Census Bureau, HUD, July 19, 2022

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending July 16, the advance figure for seasonally adjusted initial claims was 251,000, an increase of 7,000 from the previous week's unrevised level of 244,000. The 4-week moving average was 240,500, an increase of 4,500 from the previous week's revised average. . . . The advance number for seasonally adjusted insured unemployment during the week ending July 9 was 1,384,000, an increase of 51,000 from the previous week's revised level.”



## **Economic Indicators and Confidence:**

The Conference Board

Thursday, [Leading Economic Index](#): “The Conference Board Leading Economic Index (LEI) for the U.S. decreased by 0.8 percent in June 2022 to 117.1 (2016=100), after declining by 0.6 percent in May. The LEI was down by 1.8 percent over the first half of 2022, a reversal from its 3.3 percent growth over the second half of 2021.” This was the fourth consecutive month the index declined, “suggesting economic growth is likely to slow further in the near-term as recession risks grow.”

S&P Dow Jones

Tuesday, [S&P/Experian Consumer Credit Default Indices](#): The composite rate of consumer credit default rose two basis points in June to 0.53 percent. “The bank card default rate climbed six basis points to 2.55 percent. The auto loan default rate was one basis point higher at 0.62 percent while the first mortgage default rate was up two basis points to 0.38 percent.” June was the seventh month in a row to show increased rates of default, and mortgage defaults were their highest since September 2020.

The Wall Street Journal

Sunday, [Quarterly Economic Forecasting Survey](#): “Economists surveyed [July 8-12] by The Wall Street Journal now put the chance of a recession sometime in the next 12 months at 49 percent in July, on average, up from 44 percent a month ago and just 18 percent in January. . . . Respondents cut their growth forecasts for 2022, projecting inflation-adjusted gross domestic product to rise 0.7 percent in the fourth quarter of this year from a year earlier. That’s down from 1.3 percent projected in June and 3.6 percent nine months ago.”

## **Employment and Businesses:**

Federal Reserve Bank of Philadelphia

Thursday, [Manufacturing Business Outlook Survey](#): “Responses to the July Manufacturing Business Outlook Survey suggest overall declines in regional manufacturing activity this month. The indicators for current activity and new orders remained negative, while the shipments index rose slightly. The firms continued to indicate overall increases in employment and widespread increases in prices. The indicators for future general activity and new orders remained negative, suggesting that respondents expect overall declines over the next six months.”

## **Mortgages and Housing Markets:**

Fannie Mae

Wednesday, [Monthly Economic and Housing Outlook](#): “Amid record inflation and higher interest rates, expectations for full-year 2022 and 2023 real GDP growth were downgraded in July due to softening consumer spending and a downward revision to business inventory investment data. . . . [Fannie Mae] revised downward its forecast for total home sales growth in 2022 to a decline of 15.6 percent, compared to a decline of 13.5 percent predicted last month, but revised upward its home price appreciation forecast to 16.0 percent year-over-year-growth in 2022 from the previously projected 10.8 percent.”

## Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “[The] 30-year fixed-rate mortgage averaged 5.54 percent with an average 0.8 point as of July 21, 2022, up from last week when it averaged 5.51 percent. A year ago at this time, the 30-year FRM averaged 2.78 percent.”

## Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications decreased 6.3 percent from one week earlier, according to data from the . . . week ending July 15, 2022. . . . The Refinance Index decreased 4 percent from the previous week and was 80 percent lower than the same week one year ago.” This marked a 22-year low.

## National Association of Home Builders

Monday, [Housing Market Index](#): “Builder confidence in the market for newly built single-family homes posted its seventh straight monthly decline in July, falling 12 points to 55. . . . This marks the lowest HMI reading since May 2020 and the largest single-month drop in the history of the HMI, except for the 42-point drop in April 2020. . . . 13 percent of builders in the HMI survey reported reducing home prices in the past month to bolster sales and/or limit cancellations.”

## National Association of Realtors

Wednesday, [Existing Home Sales](#): “Existing-home sales declined for the fifth straight month to a seasonally adjusted annual rate of 5.12 million. Sales were down 5.4 percent from May and 14.2 percent from one year ago. The median existing-home sales price climbed 13.4 percent from one year ago to \$416,000, a new record high. The inventory of unsold existing homes rose to 1.26 million by the end of June, or the equivalent of 3.0 months at the current monthly sales pace.”