Economic Update, August 19, 2022

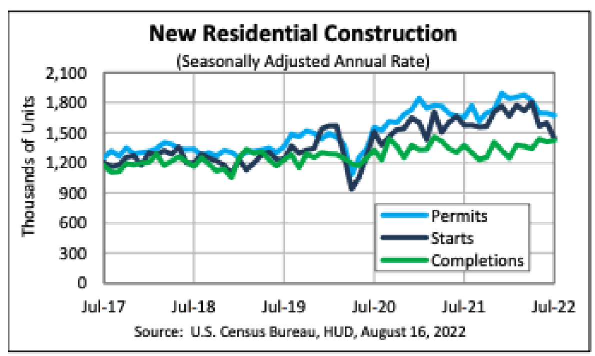
Submitted by Chris Belden

Summary: The housing market continues to slow, as existing home sales fell for the sixth consecutive month by 5.9 percent from June and 20.2 percent from July 2021. A combination of high interest rates and home prices (the median existing-home sales price was $403,800 in July, up 10.8 percent from one year ago) has caused demand to stall. In addition, housing starts for new homes fell in July by 9.6 percent from the previous month. According to Lawrence Yun, chief economist at the National Association of Realtors, “we’re witnessing a housing recession in terms of declining home sales and home building. . . . However, it’s not a recession in home prices.” In other news, initial jobless claims declined slightly this week, suggesting that the labor market is still strong.

Federal Government Indicators and Reports

U.S. Census

Tuesday, New Residential Construction: “Privately-owned housing units authorized by building permits in July were at a seasonally adjusted annual rate of 1,674,000. This is 1.3 percent below the revised June rate of 1,696,000, but is 1.1 percent above the July 2021 rate of 1,655,000. Single-family authorizations in July were at a rate of 928,000; this is 4.3 percent below the revised June figure of 970,000. . . . Privately-owned housing starts in July were at a seasonally adjusted annual rate of 1,446,000. This is 9.6 percent below the revised June estimate of 1,599,000 and is 8.1 percent below the July 2021 rate of 1,573,000. . . . Privately-owned housing completions in July were at a seasonally adjusted annual rate of 1,424,000. This is 1.1 percent above the revised June estimate of 1,409,000 and is 3.5 percent above the July 2021 rate of 1,376,000.”



Wednesday, Retail Sales: “Retail trade sales were virtually unchanged from June 2022, but up 10.1 percent above last year.”

Bureau of Labor Statistics

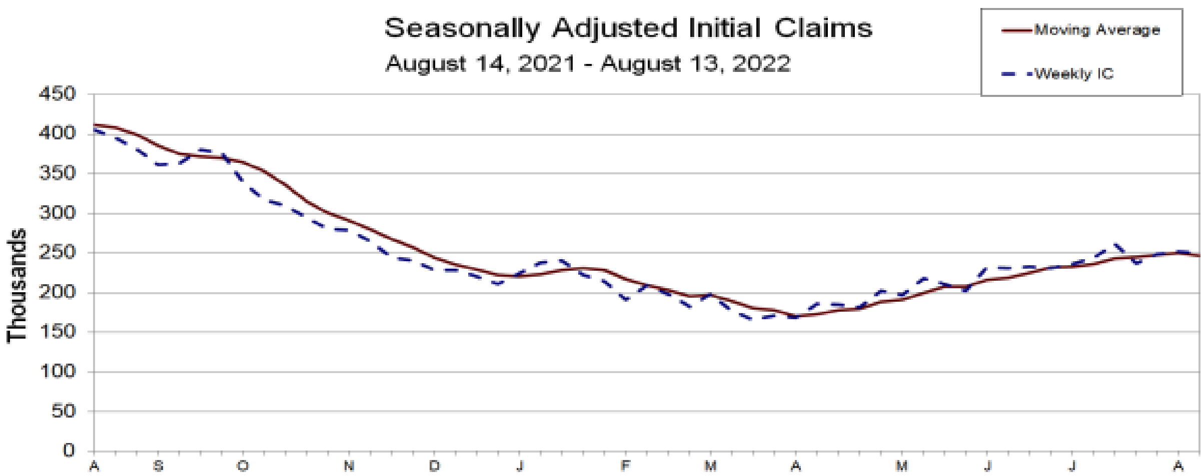
Wednesday, State Job Openings and Labor Turnover: “Job openings rates decreased in 17 states, increased in 2 states, and were little changed in 31 states and the District of Columbia on the last business day of June.” Tennessee experienced a decrease in seasonally adjusted job openings between May and June, down from 252,000 (7.3 percent) to 229,000 (6.6 percent).

Wednesday, Summer Youth Labor Force: "In July 2022, 55.3 percent of young people (persons ages 16 to 24) were employed. . . . This measure was up from 54.4 percent in July 2021. The July 2022 figure remains below its level of 56.2 percent in July 2019, prior to the onset of the coronavirus (COVID-19) pandemic."

Friday, State Employment and Unemployment: "Unemployment rates were lower in July in 14 states and the District of Columbia, higher in 3 states, and stable in 33 states . . . . The national unemployment rate edged down to 3.5 percent over the month and was 1.9 percentage points lower than in July 2021." Tennessee's unemployment rate was 3.3 percent in July, down from 4.2 percent in July of 2021.

Department of Labor

Thursday, Initial Jobless Claims: "In the week ending August 13, the advance figure for seasonally adjusted initial claims was 250,000, a decrease of 2,000 from the previous week's revised level. . . . The 4-week moving average was 246,750, a decrease of 2,750 from the previous week's revised average."



Economic Indicators and Confidence

Conference Board

Thursday, Leading Economic Index: "The Conference Board Leading Economic Index (LEI) for the U.S. decreased by 0.4 percent in July 2022 to 116.6 (2016=100), after declining by 0.7 percent in June. The LEI was down by 1.6 percent over the six-month period from January to July 2022, a reversal from its 1.6 percent growth over the previous six months." According to Ataman Ozyildirim, the senior director of economics at the Conference Board, "the U.S. LEI declined for a fifth consecutive month in July, suggesting recession risks are rising in the near term."

Mortgages and Housing Markets

National Association of Home Builders

Monday, Housing Market Index: "Builder confidence fell for the eighth straight month in August as elevated interest rates, ongoing supply chain problems and high home prices continue to exacerbate housing affordability challenges. In another sign that a declining housing market has failed to bottom out, builder confidence in the market for newly built single-family homes fell six points in August to 49, marking the first time since May 2020 that the index fell below the key break-even measure of 50."

Mortgage Bankers Association

Wednesday, Mortgage Applications: "Mortgage applications decreased 2.3 percent from one week earlier . . . for the week ending August 12, 2022." Joel Kan, MBA's associate vice president of economic and industry forecasting, explained: "Home purchase applications continued to be held down by rapidly drying up demand, as high mortgage rates, challenging affordability, and a gloomier outlook of the economy kept buyers on the sidelines."

National Association of Realtors

Thursday, Existing Home Sales: "Existing-home sales fell for the sixth consecutive month to a seasonally adjusted annual rate of 4.81 million. Sales were down 5.9 percent from June and 20.2 percent from one year ago. . . . The median existing-home sales price climbed 10.8 percent from one year ago to $403,800. That's down $10,000, however, from last month's record high of $413,800. . . . The inventory of unsold existing homes rose to 1.31 million by the end of July, or the equivalent of 3.3 months at the current monthly sales pace."