

Economic Update, November 10, 2022

Submitted by Bob Moreo

Summary: The consumer price index for October showed inflation slowing more than expected. [Investor's Business Daily](#) writer Jed Graham suggests, “[the] reading should allow the Fed to slow the pace of rate hikes next month.” At [CNBC.com](#), Jeff Cox said traders now see an 80.6 percent probability that the Federal Reserve’s next rate hike will be 0.5 percent, rather than a fifth consecutive increase of 0.75 percent. Wholesale trade and inventories were up in September, although a [Reuters report](#) said the increase was less than expected, and that “inventory accumulation has decelerated considerably from the robust pace in late 2021 and early 2022.” Freight transportation increased in September, nearly topping a pre-pandemic record high. Initial unemployment claims rose slightly this week, but “remained near historically low levels,” according to Sarah Cambon in [The Wall Street Journal](#), and are “close to the pre-pandemic 2019 weekly average.” Outplacement and executive coaching firm Challenger, Gray & Christmas [reported on Wednesday](#) that it “has tracked fewer large-scale seasonal hiring announcements this year than last.” The firm believes that fewer new retail, transportation, and warehousing jobs added this October signifies an emerging slowdown. And the number of consumers who believe “now is a good time to buy a home” is at an all-time low, [reports Realtor.com](#), falling for the eighth straight month to just 16 percent in October. A record portion of survey respondents expect home prices to decrease over the next 12 months, and two-thirds believe mortgage rates—now over 7 percent—will continue to rise.

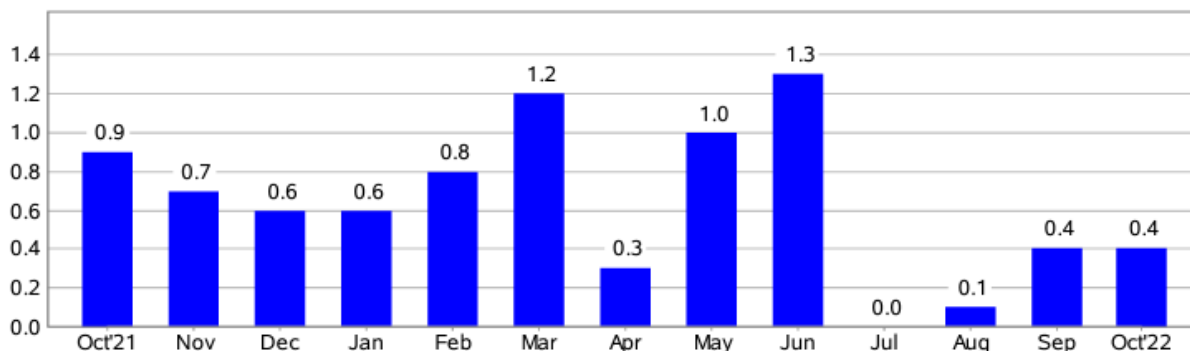
Friday, November 11, is Veterans Day. Along with the rest of my colleagues at TACIR, I thank all those who have served and honor the sacrifices you and your families have made for our nation.

Federal Government Indicators and Reports:

Bureau of Labor Statistics

Thursday, [Consumer Price Index](#): “The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.4 percent in October on a seasonally adjusted basis, the same increase as in September. . . . Over the last 12 months, the all items index increased 7.7 percent before seasonal adjustment. . . . The all items less food and energy index rose 6.3 percent over the last 12 months.”

Chart 1. One-month percent change in CPI for All Urban Consumers (CPI-U), seasonally adjusted, Oct. 2021 - Oct. 2022
Percent change



Thursday, [Real Earnings](#): “Real average hourly earnings for all employees decreased 0.1 percent from September to October. . . . stem[ming] from an increase of 0.4 percent in average hourly earnings combined with an increase of 0.4 percent in the CPI-U. . . . [and] no change in the average workweek. . . . Real average hourly earnings decreased 2.8 percent, seasonally adjusted, from October 2021 to October

2022. The change in real average hourly earnings combined with a decrease of 0.9 percent in the average workweek resulted in a 3.7-percent decrease in real average weekly earnings over this period.”

Bureau of Transportation Statistics

Wednesday, [Freight Transportation Services Index](#): “The Freight Transportation Services Index . . . rose 0.3 percent in September from August, rising for the second consecutive month to its second highest all-time level. . . . From September 2021 to September 2022 the index rose 4.8 percent.”

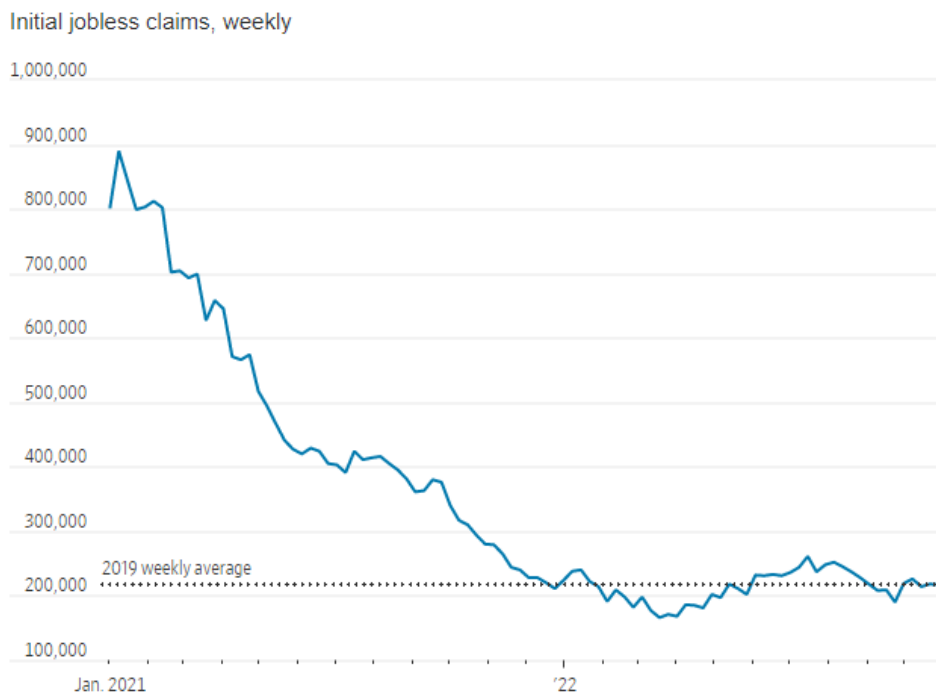
Census Bureau

Wednesday, [Monthly Wholesale Trade](#): “September 2022 sales of merchant wholesalers . . . were \$699.9 billion, up 0.4 percent from the revised August level and were up 14.4 percent from the revised September 2021 level. . . . [Inventories] were \$918.5 billion at the end of September, up 0.6 percent from the revised August level. Total inventories were up 24.1 percent from the revised September 2021 level.”

Thursday, [Business Formation Statistics](#): “Business Applications for October 2022, adjusted for seasonal variation, were 432,834, an increase of 1.2 percent compared to September 2022. . . . Projected Business Formations (within 4 quarters) . . . were 31,889, an increase of 1.6 percent compared to September 2022.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending November 5, the advance figure for seasonally adjusted initial claims was 225,000, an increase of 7,000 from the previous week's revised level. . . . The 4-week moving average was 218,750, a decrease of 250 from the previous week's revised average.” The unadjusted advance figure for initial claims in Tennessee the week ending November 5 was 1,940—up from 1,729 the week prior.



Note: Seasonally adjusted.

Source: U.S. Employment and Training Administration via St. Louis Fed

Federal Reserve Board

Monday, [Consumer Credit](#): “Consumer credit increased at a seasonally adjusted annual rate of 6.8 percent during the third quarter. Revolving credit increased at an annual rate of 12.9 percent, while nonrevolving credit increased at an annual rate of 4.9 percent. In September, consumer credit increased at an annual rate of 6.4 percent.”

Federal Reserve Bank of Atlanta

Wednesday, [GDPNow](#): “The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2022 is 4.0 percent on November 9, up from 3.6 percent on November 3.”

Economic Indicators and Confidence:

Investor’s Business Daily

Tuesday, [Economic Optimism Index](#): “The IBD/TIPP Economic Optimism Index fell 1.2 points to a dismal 40.4 in November. . . . The index slipped to within 2.3 points of the 11-year low matched in August. It has been stuck in pessimistic territory, below the 50 neutral level, for 15 straight months. . . . The share of Americans who think the U.S. economy is in a recession eased to 58 percent from 61 percent in October and 62 percent in August.”

Employment and Businesses:

The Conference Board

Monday, [Employment Trends Index](#): “The Conference Board Employment Trends Index declined in October to 119.57, down from an upwardly revised 120.73 in September 2022.” Frank Steemers, senior economist at The Conference Board, commented that “job growth will likely continue over the next months, albeit at a slowing pace,” and said, “we expect the U.S. economy to enter recession around year-end 2022, with the unemployment rate to rise to around 4.5 percent in 2023.”

National Federation of Independent Business

Tuesday, [Small Business Optimism Index](#): “NFIB’s Small Business Optimism Index declined 0.8 points in October to 91.3, which is the 10th consecutive month below the 49-year average of 98. Thirty-three percent of owners reported that inflation was their single most important problem in operating their business, three points higher than September’s reading. . . . Fifty-four percent of owners reported capital outlays in the last six months, down two points from September. . . . Twenty-three percent plan capital outlays in the next few months.”

Mortgages and Housing Markets:

Fannie Mae

Monday, [Home Purchase Sentiment Index](#): “The Fannie Mae Home Purchase Sentiment Index decreased 4.1 points in October to 56.7, its eighth consecutive monthly decline and lowest reading since the inception of the index in 2011. Five of the six index components decreased month over month, including those associated with home buying and selling conditions, as persistently high home prices and unfavorable mortgage rates continue to fuel consumers’ housing affordability concerns.”

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “30-year fixed-rate mortgage averaged 7.08 percent with an average 0.9 point as of November 10, 2022, up from last week when it averaged 6.95 percent. A year ago at this time, the 30-year FRM averaged 2.98 percent.”

Mortgage Bankers Association

Tuesday, [Commercial/Multifamily Mortgage Banking Originations](#): “Commercial and multifamily mortgage loan originations decreased 13 percent in the third quarter of 2022 compared to the same period last year. . . . On a quarterly basis, third-quarter originations for office properties decreased 31 percent compared to the second quarter of 2022.”

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications decreased 0.1 percent from one week earlier, according to data from . . . the week ending November 4, 2022. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$647,200 or less) increased to 7.14 percent from 7.06 percent.”