

Economic Update, December 17, 2021
Submitted by Kevin Vanzant

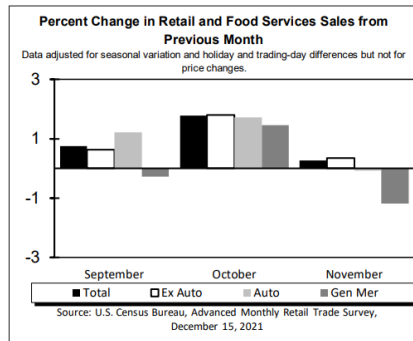
Summary: In response to changing economic conditions and its own [raised](#) outlook on inflation in 2021, the Federal Reserve announced this week that it would be accelerating its reduction of bond purchasing (“tapering”) while also releasing economic projections for next year that now point to as many as three interest rate hikes (“tightening”) in 2022. The producer-price index (PPI) for November was up 9.6 percent from a year earlier, the [most](#) since records began in 2010. Import and export prices rose in November, as did consumer expectations for a higher rate of inflation in the near future. Retail sales rose by 0.3 percent in November, down from a more robust increase in October. However, business inventories also increased strongly in October, [suggesting](#) that restocking could again support economic growth this quarter. The IHS Markit Composite PMI Output Index posted 56.9 in December, down slightly from November, but still signaling a strong rise in private sector business activity. Jobless claims rose slightly last week, but the 4-week moving average was still lower than it’s been since November 1969, and home builder confidence remained strong in December.

Federal Government Indicators and Reports:

Census Bureau

Wednesday, [Advance Retail Sales](#): “Advance estimates of U.S. retail and food services sales for November 2021 . . . were \$639.8 billion, an increase of 0.3 percent from the previous month, and 18.2 percent above November 2020.”

| ADVANCE MONTHLY SALES | | |
|--|-----------------|-------|
| November 2021 | \$639.8 billion | 0.3%* |
| October 2021 (revised) | \$638.2 billion | 1.8% |
| Next release: January 14, 2022 | | |
| * The 90 percent confidence interval includes zero. There is insufficient statistical evidence to conclude that the actual change is different from zero. Data adjusted for seasonal variation and holiday and trading-day differences but not for price changes. Source: U.S. Census Bureau, Advanced Monthly Retail Trade Survey, December 15, 2021 | | |



Wednesday, [Business Inventories](#): “The combined value of distributive trade sales and manufacturers’ shipments for October . . . was estimated at \$1,709.1 billion, up 2.1 percent from September 2021 and was up 16.7 percent from October 2020. . . . Manufacturers’ and trade inventories for October . . . were estimated at an end-of-month level of \$2,127.5 billion, up 1.2 percent from September 2021 and were up 7.8 percent from October 2020. . . . The total business inventories/sales

ratio based on seasonally adjusted data at the end of October was 1.24. The October 2020 ratio was 1.35.”

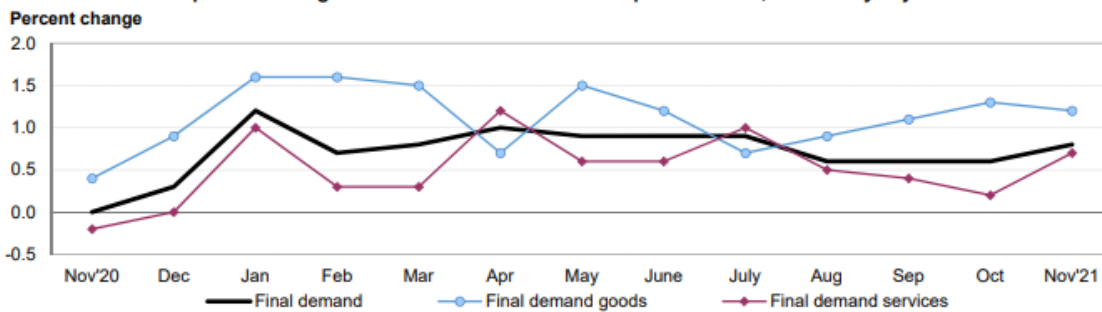
| BUSINESS INVENTORIES | | |
|---|-------------------|-------|
| OCTOBER 2021 | \$2,127.5 billion | +1.2% |
| SEPTEMBER 2021 (revised) | \$2,103.1 billion | +0.8% |
| Next release: January 14, 2022 | | |
| * The 90 percent confidence interval includes zero. There is insufficient evidence to conclude that the actual change is different from zero. Data adjusted for seasonality but not price changes. | | |
| Source: U.S. Census Bureau, Manufacturing and Trade Inventories and Sales, December 15, 2021. | | |



Bureau of Labor Statistics

Tuesday, [Producer Price Indexes](#): “The Producer Price Index for final demand increased 0.8 percent in November, seasonally adjusted. . . . Final demand prices moved up 0.6 percent in each of the 3 prior months. . . . The index for final demand less foods, energy, and trade services moved up 0.7 percent in November, the largest rise since climbing 0.8 percent in July. For the 12 months ended in November, prices for final demand less foods, energy, and trade services increased 6.9 percent, the largest advance since 12-month data were first calculated in August 2014.”

Chart 1. One-month percent changes in selected PPI final demand price indexes, seasonally adjusted



Wednesday, [Import and Export Prices](#): “Prices for U.S. imports rose 0.7 percent in November following a 1.5-percent increase in October. . . . U.S. export prices rose 1.0 percent in November, after increasing 1.6 percent in October and 0.3 percent in September.”

Chart 1. One-month and 12-month percent changes in the Import Price Index: November 2020 – November 2021

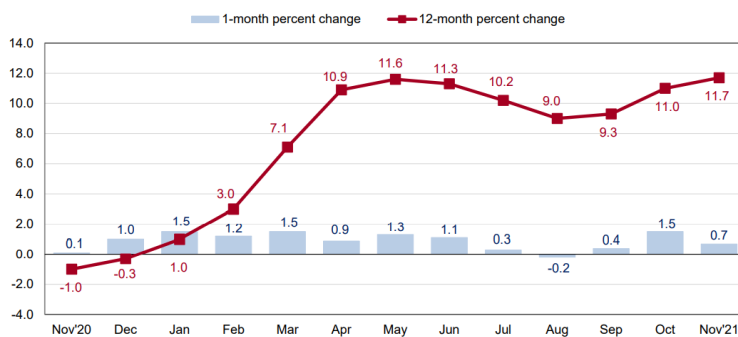
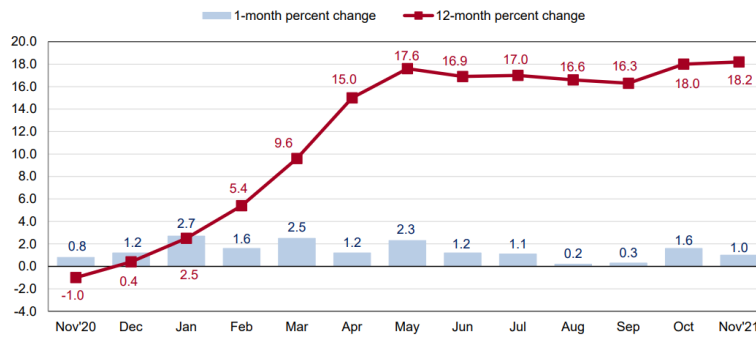
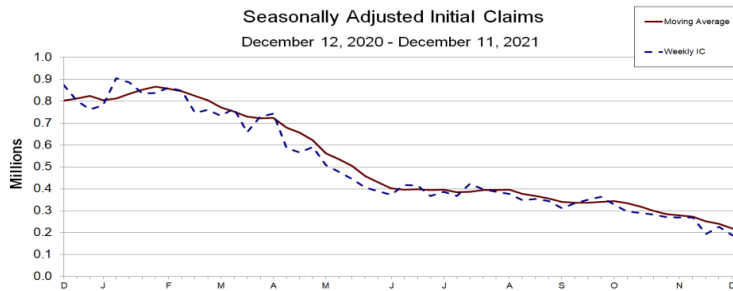


Chart 2. One-month and 12-month percent changes in the Export Price Index: November 2020 – November 2021



Department of Labor

Thursday, [Jobless Claims](#): “In the week ending December 11, the advance figure for seasonally adjusted initial claims was 206,000, an increase of 18,000 from the previous week's revised level. . . . The 4-week moving average was 203,750, a decrease of 16,000 from the previous week's revised average. This is the lowest level for this average since November 15, 1969. . . . The advance seasonally adjusted insured unemployment rate was 1.4 percent for the week ending December 4, a decrease of 0.1 percentage point from the previous week's unrevised rate.”



Federal Reserve

Wednesday, [Federal Open Market Committee \(FOMC\) Statement](#): “The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, the Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent. . . . In light of inflation developments and the further improvement in the labor market, the Committee decided to reduce the monthly pace of its net asset purchases by \$20 billion for Treasury securities and \$10 billion for agency mortgage-backed securities.”

Thursday, [Industrial Production](#): “Industrial production rose 0.5 percent in November. The indexes for both manufacturing and mining increased 0.7 percent, while the index for utilities decreased 0.8 percent.”

Federal Reserve Bank of New York

Monday, [Consumer Inflation Expectations](#): “The Federal Reserve Bank of New York’s Center for Microeconomic Data today released the November 2021 *Survey of Consumer Expectations*, which shows another increase in short-term inflation expectations, but a decline in medium-term inflation expectations. However, consumers conveyed increased uncertainty about future inflation. Year-ahead spending growth expectations increased to a new series high. While remaining elevated, home price growth expectations slightly declined.”

Economic Indicators and Confidence:

IHS Markit

Thursday, [Manufacturing PMI](#): “The IHS Markit Flash US Composite PMI Output Index posted 56.9 in December, down slightly from 57.2 in November, but still signaling a strong rise in private sector business activity. Although slower than rates seen earlier in the year, the pace of output growth was faster than the historic trend.” According to the release, “Service sector business activity growth remained especially sharp, with manufacturers registering a slight uptick in the pace of expansion in production.”

IHS Markit Composite PMI and US GDP



Mortgages and Housing Markets:

National Association of Home Builders/Wells Fargo

Wednesday, [Home Builder Confidence](#): “Builder sentiment in the market for newly built single-family homes moved one point higher to 84 in December. . . . This ties the highest reading of the year that was posted in February. . . . ‘The most pressing issue for the housing sector remains lack of inventory,’ said NAHB Chief Economist Robert Dietz. ‘Building has increased but the industry faces constraints, namely cost/availability of materials, labor and lots.’”

Census Bureau

Thursday, [New Residential Construction](#): “Privately-owned housing units authorized by building permits in November were at a seasonally adjusted annual rate of 1,712,000. This is 3.6 percent above the revised October rate of 1,653,000. . . . Privately-owned housing starts in November were at a seasonally adjusted annual rate of 1,679,000. This is 11.8 percent above the revised October estimate. . . . Privately-owned housing completions in November were at a seasonally adjusted annual rate of 1,282,000. This is 4.1 percent above the revised October estimate.”