Economic Update, July 29, 2022

Submitted by Chris Belden

Summary: The Federal Reserve raised the federal funds rate by 0.75 percentage points for the second time in a row in an effort to slow down inflation. These increases continue to be felt throughout the economy, but possibly most notably in the housing market. The Census Bureau reported that sales of new single-family homes decreased by 8.1 percent in June from the previous month, and 17.4 percent from June 2021.

Data released by the Bureau of Economic Analysis showed that GDP decreased by 0.9 percent in the second quarter of 2022, the second consecutive quarter in which GDP contracted. While some believe that two consecutive quarters of decreasing GDP signals that we are in a recession, others, including Federal Reserve Chair Jerome Powell, believe that is not necessarily the case: "I do not think the U.S. is currently in a recession, there are just too many areas of the economy that are performing well." One such area is employment, where unemployment rates continue to sit at historically low levels.

Federal Government Indicators and Reports

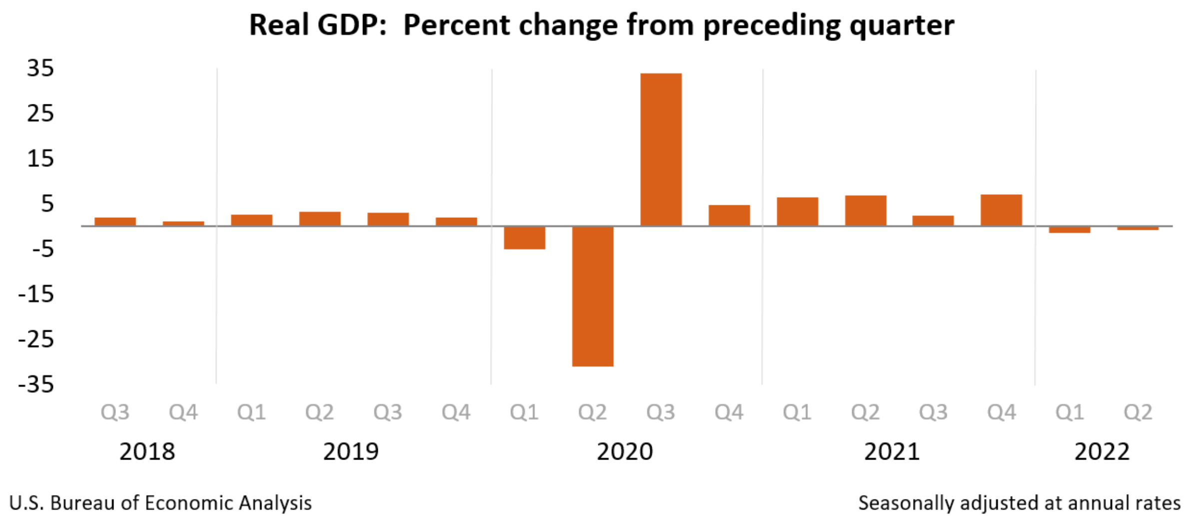
U.S. Census Bureau

Wednesday, Durable Goods: "New orders for manufactured durable goods in June increased $5.0 billion or 1.9 percent to $272.6 billion. . . . This increase, up eight of the last nine months, followed a 0.8 percent May increase." New orders for nondefense capital goods, excluding aircraft, increased by 0.5 percent.

Wednesday, International Trade: "The international trade deficit was $98.2 billion in June, down $5.9 billion from $104.0 billion in May. Exports of goods for June were $181.5 billion, $4.4 billion more than May exports. Imports of goods for June were $279.7 billion, $1.5 billion less than May imports."

Bureau of Economic Analysis

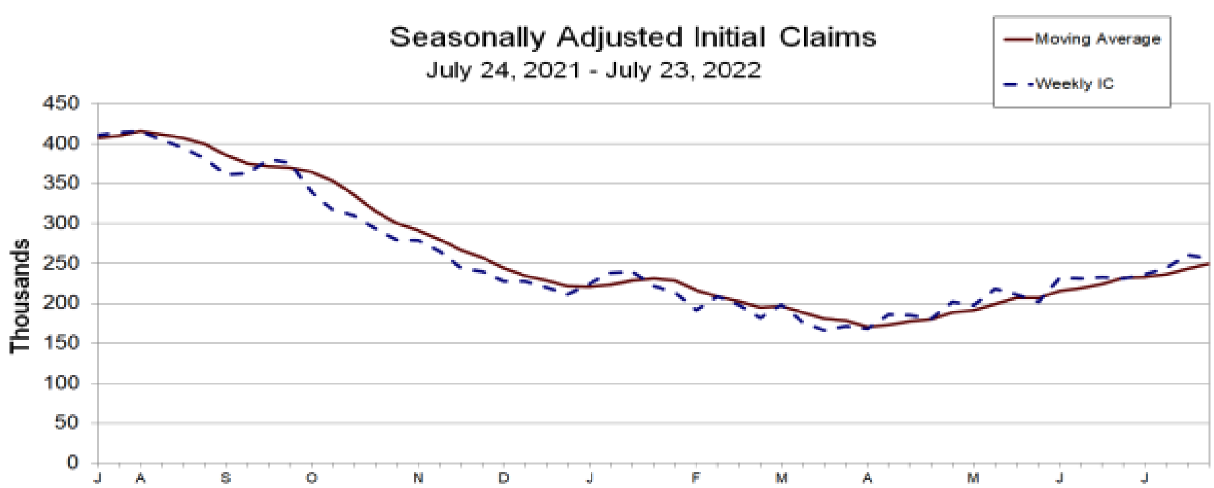
Thursday, Real Gross Domestic Product: "Real gross domestic product decreased at an annual rate of 0.9 percent in the second quarter of 2022. . . . In the first quarter, real GDP decreased 1.6 percent. . . . The decrease in real GDP reflected decreases in private inventory investment, residential fixed investment, federal government spending, state and local government spending, and nonresidential fixed investment that were partly offset by increases in exports and personal consumption expenditures."



Friday, Personal Income and Outlays: "Personal Income increased $133.5 billion (0.6 percent) in June. . . . [while] personal consumption expenditures (PCE) increased $181.1 billion (1.1 percent). . . . The PCE price index increased 1.0 percent."

Department of Labor

Thursday, Initial Jobless Claims: "In the week ending July 23, the advance figure for seasonally adjusted initial claims was 256,000, a decrease of 5,000 from the previous week's revised level."



Federal Reserve

Wednesday, Interest Rate Decision: The Fed raised the federal funds rate by 75 basis points to between 2.25 and 2.5 percent. "Recent indicators of spending and production have softened. Nonetheless, 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 food and energy prices, and broader price pressures."

Economic Indicators and Confidence

Federal Reserve Bank of Chicago

Monday, National Activity Index: The index "points to steady economic growth in June," remaining unchanged from May's value of -0.19.

The Conference Board

Tuesday, Consumer Confidence: The index "decreased in July, following a larger decline in June. The Index now stands at 95.7, down 2.7 points from 98.4 in June." Lynn Franco, senior director of economic indicators at The Conference Board, explained that "concerns about inflation—rising gas and food prices, in particular—continued to weigh on consumers. . . . As the Fed raises interest rates to rein in inflation, purchasing intentions for cars, homes, and major appliances all pulled back further in July. Looking ahead, inflation and additional rate hikes are likely to continue posing strong headwinds for consumer spending and economic growth over the next six months."

University of Michigan

Friday, Consumer Sentiment: "The final July reading showed little change in consumer sentiment from its historic low in June." July's final reading was 51.5, up from 50.0 in June.

Mortgages and Housing Markets

U.S. Census Bureau

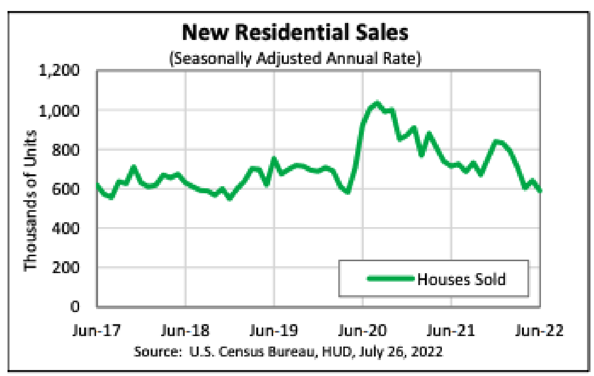
Tuesday, New Residential Sales: "Sales of new single-family houses in June 2022 were at a seasonally adjusted annual rate of 590,000. . . . This is 8.1 percent below the revised May rate of 642,000 and is 17.4 percent below the June 2021 estimate of 714,000."

NEW RESIDENTIAL SALES JUNE 2022

New Houses Sold[1]:	590,000
New Houses For Sale[2]:	457,000
Median Sales Price:	$402,400

Next Release: August 23, 2022

[1]Seasonally Adjusted Annual Rate (SAAR)
[2]Seasonally Adjusted
Source: U.S. Census Bureau, HUD, July 26, 2022



S&P Case-Shiller

Tuesday, Home Price Index: The Home Price Index "reported a 19.7 percent annual gain in May, down from 20.6 percent in the previous month."

Mortgage Bankers Association

Wednesday, Mortgage Applications: "Mortgage applications decreased 1.8 percent from one week earlier. . . for the week ending July 22, 2022." According to Joel Kan, associate vice president of economic and industry forecasting at the Mortgage Bankers Association: “Weakening purchase applications trends in recent months have been consistent with data showing a slowdown in sales for newly constructed homes and existing homes. A potential silver lining for the housing market is that stabilizing mortgage rates and increases in for-sale inventory may bring some buyers back to the market during the second half of the year.”