

## Economic Update, September 9, 2022

Submitted by Bob Moreo

Summary: Speaking Wednesday at a conference for the nation's top bank and financial executives, Federal Reserve Vice Chair Lael Brainard focused much of her message on the Fed's fight to curb inflation. ["If history is any guide, it is important to avoid the risk of pulling back too soon,"](#) she said; "We are in this for as long as it takes to get inflation down." The day before, an unexpected increase in non-manufacturing business activity reported for August by the Institute for Supply Management (ISM) sent stock markets lower and Treasury yields higher, as the data ["underscored expectations the Federal Reserve will need to keep hiking interest rates."](#) Conversely, a narrower survey of U.S. services firms conducted by S&P Global signaled ["the fastest fall in activity since May 2020,"](#) and all seven manufacturing and services sectors S&P monitors contracted for ["only the second time on record \(since October 2009\)."](#) Amidst these conflicting signals, analysts at Goldman Sachs expressed optimism that the Fed can rein inflation in softly without sending the economy into a recession, [CBS News reported Tuesday](#), citing "sharply lower commodity prices, a stronger dollar, and large improvements in supply-chain disruptions," along with a solid labor market. Price-weary U.S. consumers gave their credit cards a break in July, according to [Federal Reserve data](#). A *MarketWatch* story said economists have been worried that ["households are relying more on debt to finance purchases in the face of high inflation."](#)

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

#### Bureau of Economic Analysis

Wednesday, [U.S. International Trade in Goods and Services](#): The U.S. trade deficit "was \$70.6 billion in July, down \$10.2 billion from \$80.9 billion in June. . . . Year-to-date, the goods and services deficit increased \$136.6 billion, or 29.0 percent, from the same period in 2021. Exports increased \$286.4 billion or 19.9 percent. Imports increased \$423.0 billion or 22.1 percent."

#### Bureau of Labor Statistics

Thursday, [Consumer Expenditures \(2021 Annual\)](#): "Average annual expenditures for all consumer units in 2021 were \$66,928, a 9.1-percent increase from 2020. . . . During the same period, the Consumer Price Index (CPI-U) rose 4.7 percent, and average income before taxes increased 3.7 percent."

Thursday, [Employment Projections 2021-2031](#): "The U.S. economy is projected to add 8.3 million jobs from 2021 to 2031. . . . Total employment is projected to increase from 158.1 million to 166.5 million and grow 0.5 percent annually, which is slower than the 1.0 percent annual growth recorded over the 2011–21 decade. . . . The healthcare and social assistance sector is projected to create the most jobs over the 2021–31 decade. . . . Real Gross Domestic Product (GDP) is projected to grow at a 2.1 percent annual rate from 2021 to 2031, slightly faster than in the prior decade."

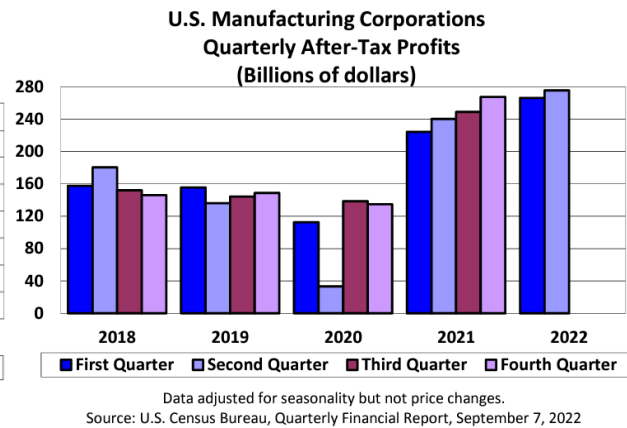
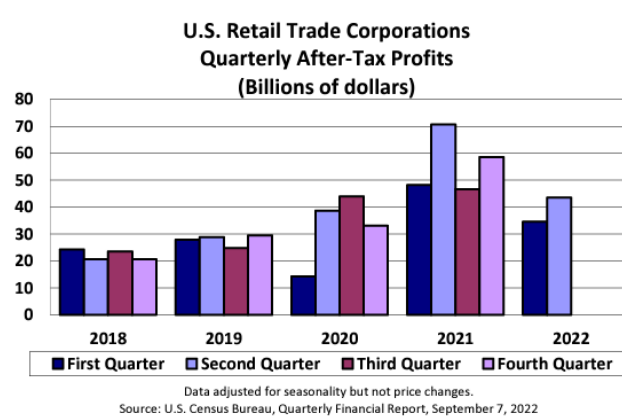
#### Census Bureau

Wednesday, [Quarterly Financial Report—Retail Trade](#): "Seasonally adjusted after-tax profits of U.S. retail corporations with assets of \$50 million and over totaled \$43.5 billion, up \$8.9 billion from the \$34.6 billion recorded in the first quarter of 2022, but down \$27.3 billion from the \$70.7 billion recorded in the second quarter of 2021."

Wednesday, [Quarterly Financial Report: Manufacturing, Mining, Wholesale Trade, and Selected Service Industries](#): "U.S. manufacturing corporations' seasonally adjusted after-tax profits in the second quarter of 2022 totaled \$275.5 billion, up \$9.2 billion from the after-tax profits of \$266.2 billion

recorded in the first quarter of 2022 [+3.5 percent], and up \$35.2 billion from the after-tax profits of \$240.3 billion recorded in the second quarter of 2021 [+14.6 percent].”

Second-quarter profits and sales for mining corporations and wholesale trade corporations were up from the first quarter and up from the second quarter of 2021. Sales for information corporations were up, but profits were down from the previous quarter and year-over-year. Sales were flat for professional and technical services corporations, but these companies suffered \$11.6 billion in losses in the second quarter of 2022, \$9.3 billion worse than the previous quarter.



Thursday, [Quarterly Selected Services Estimates](#): “U.S. selected services total revenue for the second quarter of 2022, adjusted for seasonal variation but not for price changes, was \$4,951.0 billion, an increase of 2.2 percent from the first quarter of 2022 and up 10.3 percent from the second quarter of 2021.” Revenue increased from the previous quarter and year-over-year in nearly all service sectors: utilities; transportation and warehousing; information; finance and insurance; real estate; professional, scientific, and technical services; administrative and support; education; arts, entertainment and recreation; and accommodation services. Health care and social assistance services revenue decreased slightly from the first quarter but was up slightly from the previous year. Other services (except public administration) companies saw revenue decrease by 11.4 percent in the second quarter and by 16.5 percent from a year ago.

Friday, [Monthly Wholesale Trade](#): “July 2022 sales of merchant wholesalers . . . were \$698.0 billion, down 1.4 percent from the revised June level, but were up 15.3 percent from the revised July 2021 level. . . . Total inventories . . . were \$900.7 billion at the end of July, up 0.6 percent from the revised June level. Total inventories were up 25.1 percent from the revised July 2021 level.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending September 3, the advance figure for seasonally adjusted initial claims was 222,000, a decrease of 6,000 from the previous week's revised level. The previous week's level was revised down by 4,000 from 232,000 to 228,000. . . . The total number of continued weeks claimed for benefits in all programs for the week ending August 20 was 1,414,849, a decrease of 23,283 from the previous week.” The unadjusted advance number of initial claims filed in Tennessee was 1,969 for the week ending September 3, down slightly from the 2,004 reported the week prior.

## Federal Reserve Board

Wednesday, [The Beige Book](#): “[Overall] economic activity was unchanged, on balance, since early July, with five Districts reporting slight to modest growth in activity and five others reporting slight to modest softening. Most Districts reported steady consumer spending as households continued to trade down and to shift spending away from discretionary goods and toward food and other essential items. . . . Residential real estate conditions weakened noticeably as home sales fell in all twelve Districts and residential construction remained constrained by input shortages. . . . The outlook for future economic growth remained generally weak, with contacts noting expectations for further softening of demand over the next six to twelve months.”

In the Sixth District (Atlanta), which includes Middle and East Tennessee, economic activity “expanded slightly from July through mid-August.” In the district, “year-ahead inflation expectations decreased to 3.5 percent, on average, from 3.7 percent in July.” In the Eighth District (St. Louis), which includes West Tennessee, conditions “declined slightly” since the last report. “The overall outlook for business conditions over the next 12 months has improved slightly but remains pessimistic.”

Thursday, [Consumer Credit](#): “In July, consumer credit increased at a seasonally adjusted annual rate of 6.2 percent. Revolving credit increased at an annual rate of 11.6 percent, while nonrevolving credit increased at an annual rate of 4.4 percent.”

## Federal Reserve Bank of Atlanta

Wednesday, [GDPNow](#): “The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2022 is 1.4 percent on September 7, down from 2.6 percent on September 1. . . . Nowcasts of third-quarter real personal consumption expenditures growth, third-quarter real gross private domestic investment growth, and third-quarter real government spending growth decreased.”

## **Business Indicators and Confidence Surveys:**

### Institute for Supply Management

Tuesday, [Services Purchasing Managers' Index](#): “Economic activity in the services sector grew in August for the 27th month in a row—with the Services PMI registering 56.9 percent . . . 0.2 percentage point higher than July’s reading of 56.7 percent. . . . Based on comments from Business Survey Committee respondents, there are some supply chain, logistics and cost improvements; however, material shortages remain a challenge. Employment improved slightly despite a restricted labor market.”

### S&P Global

Tuesday, [U.S. Services PMI](#): “The seasonally adjusted final S&P Global U.S. Services PMI Business Activity Index registered 43.7 in August, down from 47.3 in July and lower than the earlier released ‘flash’ estimate of 44.1. The latest data signaled a steep fall in output across the U.S. service sector, and the fastest fall in activity since May 2020.”

“One positive form [sic] the survey was a substantial fall in the rate of input cost inflation,” Chief Business Economist Chris Williamson said, “which should help to moderate consumer price growth in the months ahead.” Another positive was that output expectations “picked up to the highest for three months in August.”

Tuesday, [U.S. Sector PMI](#): “U.S. private sector firms signaled a broad-based decline in output during August, as all seven monitored sectors registered contractions in business activity. It was only

the second time on record (since October 2009) that all sectors have seen a decrease in output, the first time having been in May 2020 during the initial wave of COVID-19.”

### **Mortgages and Housing Markets:**

CoreLogic

Tuesday, [Home Price Insights](#): “Home prices nationwide, including distressed sales, increased year over year by 15.8 percent in July 2022 compared with July 2021. On a month-over-month basis, home prices declined by 0.3 percent in July 2022 compared with June 2022. . . . The CoreLogic HPI Forecast indicates that home prices will increase on a month-over-month basis by 0.3 percent from July 2022 to August 2022 and on a year-over-year basis by 3.8 percent from July 2022 to July 2023.”

Fannie Mae

Wednesday, [Home Purchase Sentiment Index](#): The HPSI “decreased 0.8 points in August to 62.0, its sixth consecutive monthly decline, as high home prices and elevated mortgage rates continue to weigh on consumer sentiment, particularly home-selling sentiment. . . . The HPSI is down 13.7 points compared to the same time last year.”

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “[A] 30-year fixed-rate mortgage averaged 5.89 percent with an average 0.7 point as of September 8, 2022, up from last week when it averaged 5.66 percent. A year ago at this time, the 30-year FRM averaged 2.88 percent.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications Survey](#): “Mortgage applications decreased 0.8 percent from one week earlier, according to data from the Mortgage Bankers Association’s (MBA) Weekly Mortgage Applications Survey for the week ending September 2, 2022. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$647,200 or less) increased to 5.94 percent from 5.80 percent.”