

Economic Update, November 18, 2022
Submitted by Kevin C. McCarthy

Summary: This week's economic data are mixed; forward-looking expectations are subdued. Retail and restaurant sales data for October have increased month-over-month and year-over-year, indicating strength in consumer spending. However, expectations for the future are tempered among consumers and economists. The Federal Reserve Bank of Philadelphia reported this week that consumers expect a continued general rise in prices as well as tightening access to credit.

Both consumers and expert forecasters anticipate a near-term increase in unemployment. Despite these expectations for a labor market slowdown, unemployment claims declined during the week ending November 12. Business inventories continue to grow even as sales increase modestly, indicating recovery in the supply chain. However, inventories remain below pre-pandemic levels. The Producer Price Index (PPI) increased 5.4 percent year-over-year.

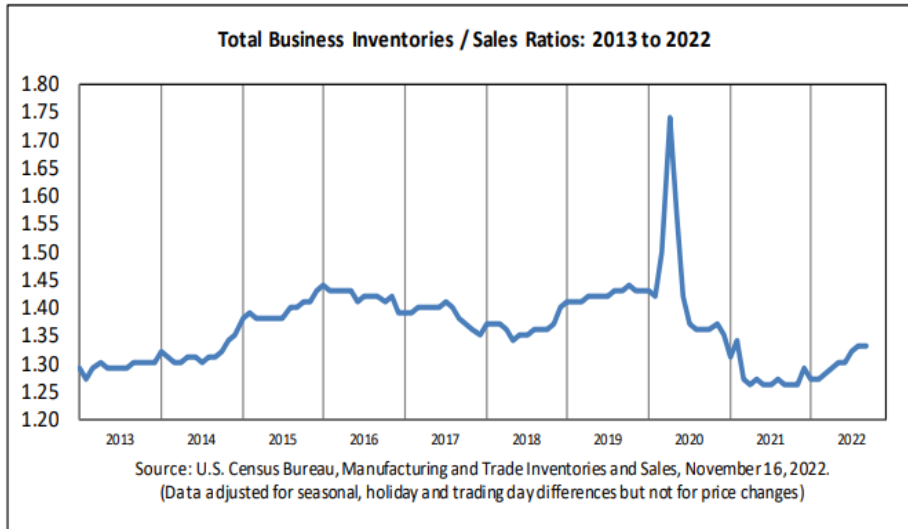
The slowdown in the housing sector continues. Although the volume of mortgage applications increased last week in response to a leveling-off of interest rates, the availability of credit continues to tighten. Homebuilders remain pessimistic, reporting the lowest confidence level in a decade, excluding the onset of the pandemic. The National Association of Realtors reported this week that sales volumes declined in October. Nonetheless, home prices continued to increase.

Federal Government Indicators and Reports:

Census Bureau

Wednesday, [Retail and Food Services Sales](#): October sales for the month of October "were \$694.5 billion, up 1.3 percent from the previous month, and 8.3 percent above October 2021. Total sales for the August 2022 through October 2022 period were up 8.9 percent from the same period a year ago. . . . Retail trade sales were up 1.2 percent from September 2022, and up 7.5 percent above last year. . . . Food services and drinking places were up 14.1 percent from last year."

Wednesday, [Manufacturing and Trade Inventories and Sales](#): "The combined value of distributive trade sales and manufacturers' shipments for September . . . was estimated at \$1,847.9 billion, up 0.2 percent from August 2022 and was up 11.5 percent from September 2021." Trade inventories "were estimated at an end-of-month level of \$2,464.4 billion, up 0.4 percent from August 2022 and were up 17.8 percent from September 2021. . . . Total business inventories/sales ratio based on seasonally adjusted data at the end of September was 1.33. The September 2021 ratio was 1.26."



Federal Reserve

Monday, [Consumer Expectations](#): “Median inflation expectations increased at both the one- and three-year-ahead horizons in October . . . to 5.9% and 3.1%. . . . Mean unemployment expectations—or the mean probability that the U.S. unemployment rate will be higher one year from now—increased to 42.9%, the highest reading since April 2020. . . . The median expected growth in household income increased to 4.3%, a series high.”

Monday, [Survey of Professional Forecasters](#): “The outlook for the U.S. economy looks weaker now than it did three months ago, according to 38 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The forecasters predict the economy will expand at an annual rate of 1.0 percent this quarter. . . . The forecasters expect real GDP to increase 0.7 percent in 2023 and 1.8 percent in 2024. . . . [and that] the unemployment rate will increase from 3.7 percent in 2022 to 4.2 percent in 2023 and remain little changed over the following two years.”

Tuesday, [Household Debt and Credit](#): “Aggregate household debt balances increased by \$351 billion in the third quarter of 2022, a 2.2 percent rise from 2022Q2. Balances now stand at \$16.51 trillion and have increased by \$2.36 trillion since the end of 2019, just before the pandemic recession. . . . Balances on home equity lines of credit (HELOC) increased by \$3 billion, the second consecutive quarterly increase after years of declining balances. . . . Credit card balances saw a \$38 billion increase since the second quarter, a 15 percent year-over-year increase [that] marked the largest in more than 20 years.”

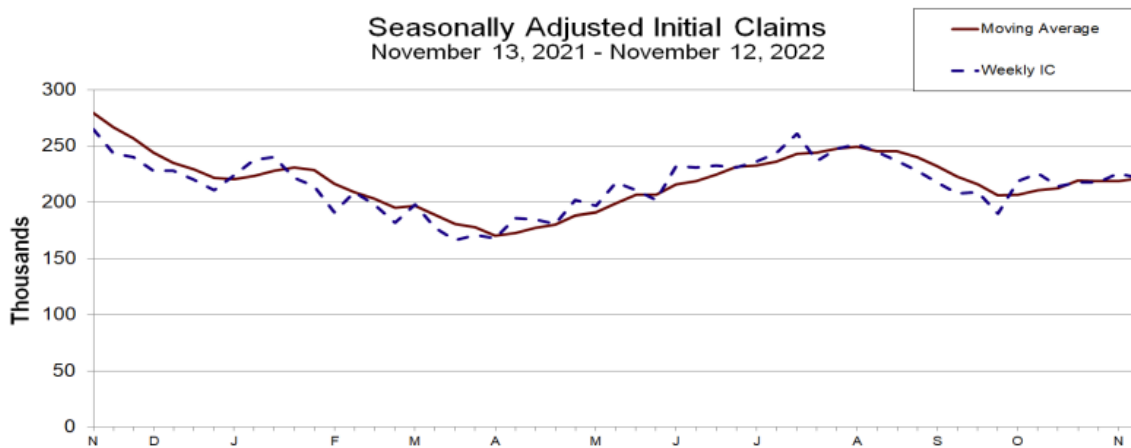
Bureau of Labor Statistics

Tuesday, [Producer Price Index](#): “The Producer Price Index for final demand increased 0.2 percent in October, seasonally adjusted. . . . Final demand prices rose 0.2 percent in September and were unchanged in August. . . . Final demand less foods, energy, and trade services advanced 0.2 percent in October following a 0.3-percent rise in September. For the 12 months ended in October, the index for final demand less foods, energy, and trade services increased 5.4 percent.”

Thursday, [State Job Openings and Labor Turnover](#): “The number of job openings increased in 10 states, decreased in 1 state, and was little changed in 39 states and the District of Columbia in September. . . . Total separations rates decreased in 16 states, increased in 2 states, and were little changed in 32 states and the District of Columbia.” In Tennessee, the total number of job openings increased month-over-month and year-over-year, rising to 257,000 by September.

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending November 12, the advance figure for seasonally adjusted initial claims was 222,000, a decrease of 4,000 from the previous week's revised level. . . . The advance seasonally adjusted insured unemployment rate was 1.0 percent for the week ending November 5, unchanged from the previous week's unrevised rate.” In Tennessee there were 1,931 initial claims for the week ending November 12, a decrease of 85 from the week prior. Total insured unemployment in the state declined by 528 claims during the week.



Economic Indicators and Confidence:

S&P Global

Monday, [U.S. Business Outlook](#): “The S&P Global U.S. Business Outlook survey signaled weaker optimism regarding the year-ahead outlook for output among U.S. private sector firms in October. The net balance of companies anticipating higher activity, at +23 percent, was the lowest since June 2020.”

Mortgages and Housing Markets:

Federal Home Loan Mortgage Corporation

Thursday, [Mortgage Rates](#): “Mortgage rates tumbled this week due to incoming data that suggests inflation may have peaked. While the decline in mortgage rates is welcome news, there is still a long road ahead for the housing market. Inflation remains elevated, the Federal Reserve is likely to keep interest rates high and consumers will continue to feel the impact.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications Survey](#): “The Market Composite Index, a measure of mortgage loan application volume, increased 2.7 percent on a seasonally adjusted basis from one

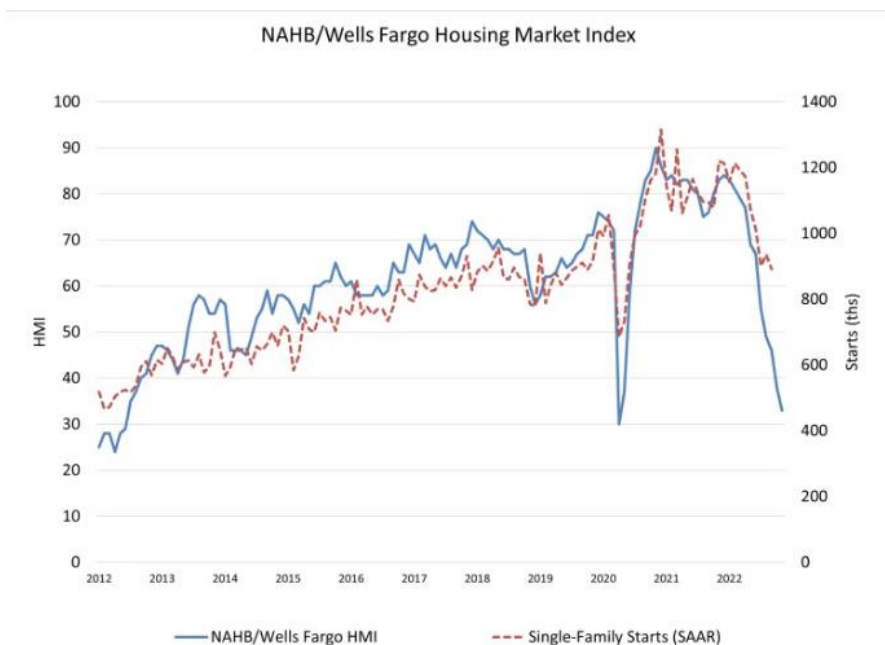
week earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$647,200 or less) decreased to 6.90 percent from 7.14 percent.”

Tuesday, [Mortgage Credit Availability Index](#): “Mortgage credit availability decreased in October according to the Mortgage Credit Availability Index (MCAI), a report from the Mortgage Bankers Association (MBA). . . . The MCAI fell by 0.5 percent to 102.0 in October. A decline in the MCAI indicates that lending standards are tightening, while increases in the index are indicative of loosening credit. The index was benchmarked to 100 in March 2012.”

Thursday, [Builder Application Survey](#): “Mortgage applications for new home purchases decreased 28.6 percent compared to a year ago. Compared to September 2022, applications decreased by 13 percent.”

National Association of Homebuilders

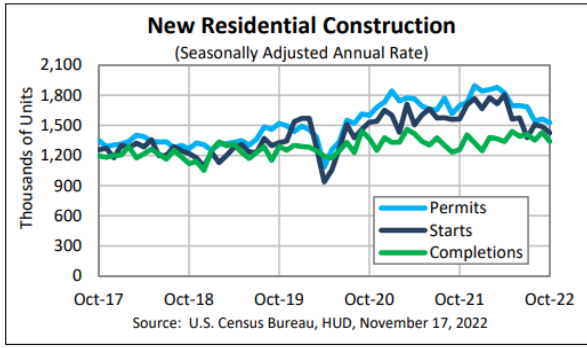
Wednesday, [Housing Market Index](#): “Builder confidence in the market for newly built single-family homes posted its 11th straight monthly decline in November, dropping five points to 33. . . . This is the lowest confidence reading since June 2012, with the exception of the onset of the pandemic in the spring of 2020.”



Census Bureau

Thursday, [New Residential Construction](#): “Privately-owned housing units authorized by building permits in October were at a seasonally adjusted annual rate of 1,526,000. This is 2.4 percent below the revised September rate of 1,564,000 and is 10.1 percent below the October 2021 rate of 1,698,000.” Total housing starts have declined 8.8 percent year-over-year. Completions increased 6.6 percent year-over-year. At the end of October, there were 290,500 housing units which had been authorized but not started; 166,200 of those are located in the South.

 NEW RESIDENTIAL CONSTRUCTION OCTOBER 2022	
Building Permits:	1,526,000
Housing Starts:	1,425,000
Housing Completions:	1,339,000
Next Release: December 20, 2022	
Seasonally Adjusted Annual Rate (SAAR)	
Source: U.S. Census Bureau, HUD, November 17, 2022	



National Association of Realtors

Friday, [Existing Home Sales](#): “Existing home sales faded for the ninth month in a row to a seasonally adjusted annual rate of 4.43 million. Sales fell 5.9 percent from September and 28.4 percent from one year ago. . . . The median existing home price for all housing types in October was \$379,100, a gain of 6.6 percent from October 2021 (\$355,700), as prices rose in all regions. This marks 128 consecutive months of year-over-year increases, the longest-running streak on record.”