

## Economic Update, July 1, 2022

Submitted by Chris Belden

Summary: Data released this week by the Bureau of Economic Analysis (BEA) showed that real GDP contracted by 1.6 percent in the first quarter of 2022, partially driven by weakened exports and imports and decreased government spending. Unfortunately, consumer spending reports from the second quarter of 2022, which ended yesterday, are showing similar signs. Another [report](#) released by the BEA this week showed consumer spending increased by only 0.2 percent in May, down from forecasts of 0.4 percent and the smallest gain of 2022. According to the Federal Reserve Bank of Atlanta's GDPNow forecast, second quarter GDP is estimated to have contracted by 1 percent. Earlier this week, the estimate initially predicted second quarter GDP growth at 0.3 percent but was updated after releases by the BEA and the Census Bureau.

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

Census Bureau

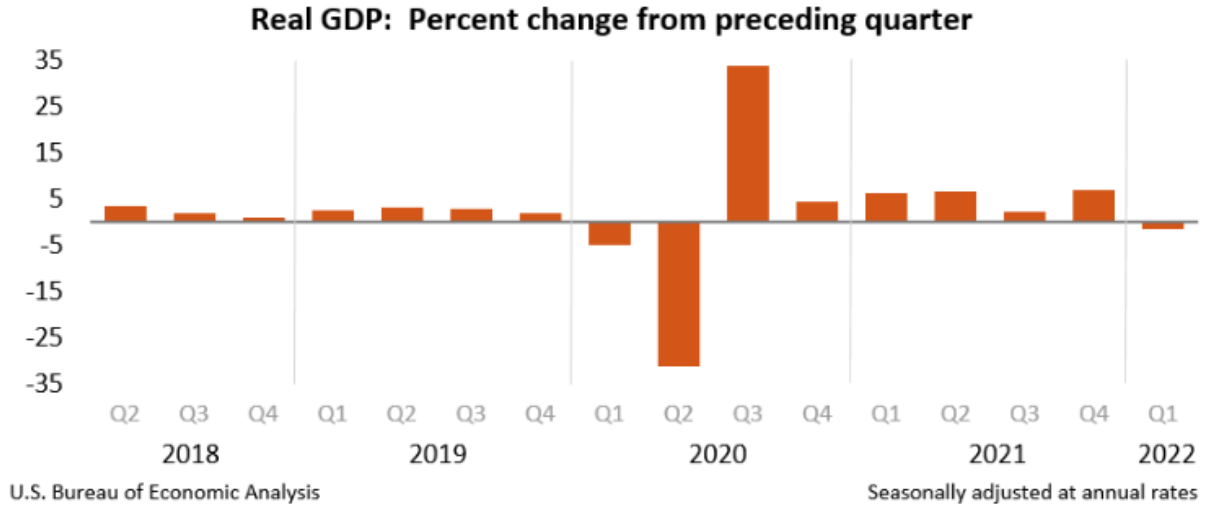
Monday, [Durable Goods](#): "New orders for manufactured durable goods in May increased \$1.9 billion or 0.7 percent to \$267.2 billion. . . . This increase, up seven of the last eight months, followed a 0.4 percent April increase." New orders for nondefense capital goods, excluding aircraft, increased 0.5 percent.

Tuesday, [Advance Economic Indicators](#): "The international trade deficit was \$104.3 billion in May, down \$2.4 billion from \$106.7 billion in April. . . . Wholesale inventories for May, adjusted for seasonal variations and trading day differences, but not for price changes, were estimated at an end-of-month level of \$880.6 billion, up 2.0 percent from April 2022, and were up 25.0 percent from May 2021. . . . Retail inventories for May, adjusted for seasonal variations and trading day differences, but not for price changes, were estimated at an end-of-month level of \$705.3 billion, up 1.1 percent from April 2022, and were up 17.3 percent from May 2021."

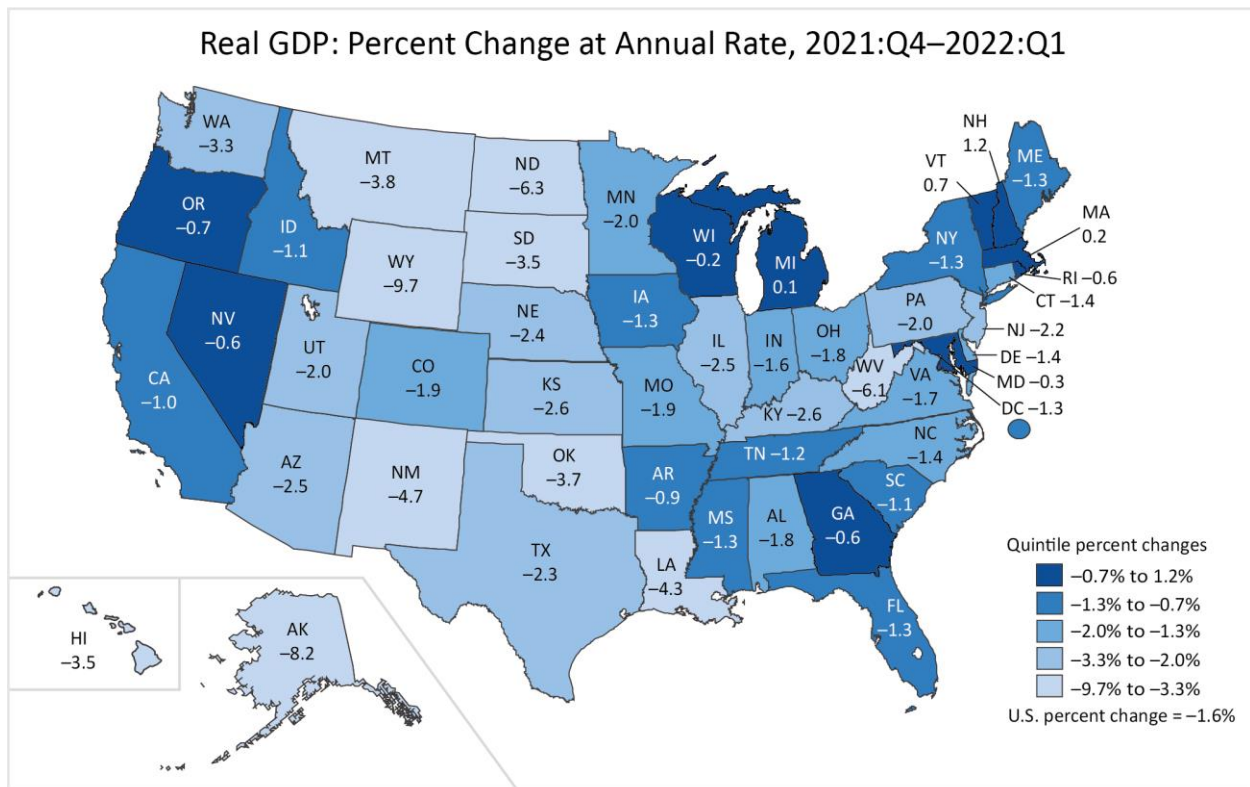
Bureau of Economic Analysis

Wednesday, [Gross Domestic Product and Corporate Profits](#): "Real gross domestic product (GDP) decreased at an annual rate of 1.6 percent in the first quarter of 2022. . . . In the fourth quarter of 2021, real GDP increased 6.9 percent . . . . The decrease in real GDP reflected decreases in exports, federal government spending, private inventory investment, and state and local government spending, while imports, which are a subtraction in the calculation of GDP, increased. Nonresidential fixed investment, PCE [personal consumption expenditures], and residential fixed investment increased."

"Profits from current production . . . decreased \$63.8 billion in the first quarter, in contrast to an increase of \$20.4 billion in the fourth quarter. . . . Profits of domestic financial corporations decreased \$51.1 billion in the first quarter, compared with a decrease of \$1.3 billion in the fourth quarter. Profits of domestic nonfinancial corporations decreased \$4.8 billion, in contrast to an increase of \$5.0 billion."



Thursday, [Gross Domestic Product by State](#): “Real gross domestic product (GDP) decreased in 46 states and the District of Columbia in the first quarter of 2022. . . . The percent change in real GDP in the first quarter ranged from 1.2 percent in New Hampshire to -9.7 percent in Wyoming.”



U.S. Bureau of Economic Analysis

Thursday, [Personal Income and Outlays](#): “Personal income increased \$113.4 billion (0.5 percent) in May. . . . Disposable personal income (DPI) increased \$96.5 billion (0.5 percent) and personal consumption expenditures (PCE) increased \$32.7 billion (0.2 percent). . . . The increase in personal income in May primarily reflected increases in compensation and proprietors' income that were partly offset by a decrease in government social benefits.”

Department of Labor

Thursday, [Initial Jobless Claims](#): “In the week ending June 25, the advance figure for seasonally adjusted initial claims was 231,000, a decrease of 2,000 from the previous week's revised level.”

Bureau of Labor Statistics

Wednesday, [Metropolitan Area Employment and Unemployment](#): “Unemployment rates were lower in May than a year earlier in 385 of the 389 metropolitan areas, higher in 2 areas, and unchanged in 2 areas.” Unemployment rates in Tennessee’s metropolitan areas ranged from 3.0 percent in Knoxville to 4.4 percent in Memphis.

Wednesday, [State Job Openings and Labor Turnover](#): “Job openings rates decreased in 12 states, increased in 6 states, and were little changed in 32 states and the District of Columbia on the last business day of April.” Tennessee’s job openings rate increased from 7.6 percent in March to 7.7 percent in April.

### **Economic Indicators and Confidence:**

The Conference Board

Tuesday, [Consumer Confidence Index](#): “The Index fell to 98.7—down 4.5 points from 103.2 in May—and now stands at its lowest level since February 2021. . . . The Present Situation Index—based on consumers’ assessment of current business and labor market conditions—declined marginally to 147.1 from 147.4 last month. The Expectations Index—based on consumers’ short-term outlook for income, business, and labor market conditions—decreased sharply to 66.4 from 73.7 and is at its lowest level since March 2013.”

Institute for Supply Management

Friday, [Manufacturing Purchasing Managers’ Index](#): “The June Manufacturing PMI registered 53 percent, down 3.1 percentage points from the reading of 56.1 percent in May. This figure indicates expansion in the overall economy for the 25th month in a row after a contraction in April and May 2020. This is the lowest Manufacturing PMI® reading since June 2020, when it registered 52.4 percent.”

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

National Association of Realtors

Monday, [Pending Home Sales](#): “Pending home sales broke a six-month skid with a slight rise of 0.7 percent from April.” NAR’s Chief Economist Lawrence Yun said, “Despite the small gain in pending sales from the prior month, the housing market is clearly undergoing a transition. Contract signings are down sizably from a year ago because of much higher mortgage rates.”

S&P CoreLogic

Tuesday, [Case-Shiller Home Price Index](#): The index “reported a 20.4 percent annual gain in April, down from 20.6 percent in the previous month. . . . After seasonal adjustment, the U.S. National Index posted a month-over-month increase of 1.5 percent.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 0.7 percent from one week earlier. . . . for the week ending June 24, 2022.” According to MBA’s Associate Vice President of Economic and Industry Forecasting Joel Kan: “Overall purchase activity has weakened in recent months due to the quick jump in mortgage rates, high home prices, and growing economic uncertainty. Purchase applications were essentially flat last week but were supported by a 6 percent increase in government loan applications.”