

Economic Update, September 23, 2022

Submitted by Chris Belden

Summary: The Federal Reserve raised the federal funds rate by 75 basis points this week for the third meeting in a row in a continued effort to bring down inflation. Fed Chairman Jerome Powell [reiterated](#) the Fed's priority: "We have to get inflation behind us . . . I wish there was a painless way to do that. There isn't." According to the National Association of Realtors, existing home sales fell 0.4 percent from July and 19.9 percent from August 2021. Lawrence Yun, chief economist at the National Association of Realtors, explained, "The housing sector is the most sensitive to and experiences the most immediate impacts from the Federal Reserve's interest rate policy changes. The softness in home sales reflects this year's escalating mortgage rates." In other news, the labor market remains tight, with initial jobless claims slightly increasing to 213,000.

Federal Government Indicators and Reports

Bureau of Economic Analysis

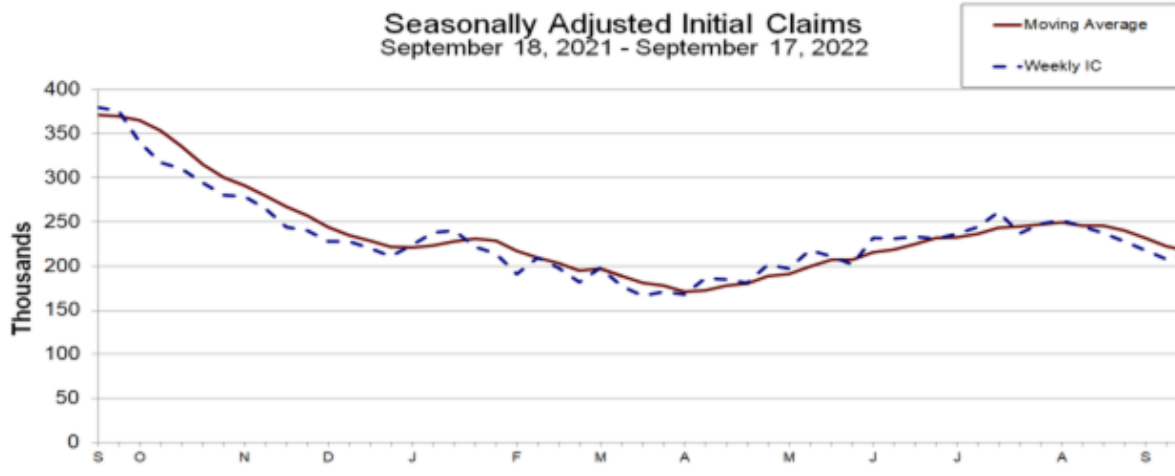
Thursday, [Current Account Balance](#): "The U.S. current-account deficit . . . narrowed by \$31.5 billion, or 11.1 percent, to \$251.1 billion in the second quarter of 2022. . . . The second-quarter deficit was 4.0 percent of current-dollar gross domestic product, down from 4.6 percent in the first quarter. . . . The \$31.5 billion narrowing of the current-account deficit in the second quarter mostly reflected a decreased deficit on goods."

Bureau of Labor Statistics

Tuesday, [Employer Costs for Employee Compensation](#): "Employer costs for employee compensation for civilian workers averaged \$41.03 per hour worked in June 2022. . . . Wage and salary costs averaged \$28.31 and accounted for 69.0 percent of total costs, while benefit costs were \$12.72 and accounted for the remaining 31.0 percent."

Department of Labor

Thursday, [Initial Jobless Claims](#): "In the week ending September 17, the advance figure for seasonally adjusted initial claims was 213,000, an increase of 5,000 from the previous week's revised level. The previous week's level was revised down . . . to 208,000. The 4-week moving average was 216,750, a decrease of 6,000 from the previous week's revised average."



Economic Indicators and Confidence

Federal Reserve

Wednesday, [Interest Rate Decision](#): The Fed raised the federal funds rate by 75 basis points. “Recent indicators point to modest growth in spending and production. 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.”

The Conference Board

Thursday, [Leading Economic Index](#): The index “decreased by 0.3 percent in August 2022 to 116.2 (2016=100), after declining by 0.5 percent in July.” Ataman Ozyildirim, senior director of economics at The Conference Board, said “The U.S. LEI declined for a sixth consecutive month potentially signaling a recession. . . . Among the index’s components, only initial unemployment claims and the yield spread contributed positively over the last six months—and the contribution of the yield spread has narrowed recently.”

S&P Global

Friday, [Flash U.S. Composite Purchasing Managers’ Index](#): “The headline Flash U.S. PMI Composite Output Index registered 49.3 in September, up from 44.6 in August, to signal a softer and only marginal decline in private sector business activity.”

Mortgages and Housing Markets

Census Bureau

Tuesday, [New Residential Construction](#): “Privately-owned housing units authorized by building permits in August were at a seasonally adjusted annual rate of 1,517,000. This is 10.0 percent below the revised July rate of 1,685,000 and is 14.4 percent below the August 2021 rate of 1,772,000. . . . Privately-owned housing starts in August were at a seasonally adjusted annual rate of 1,575,000. This is 12.2 percent above the revised July estimate of 1,404,000, but is 0.1 percent below the August 2021 rate of 1,576,000.”

National Association of Home Builders

Monday, [Housing Market Index](#): The Housing Market Index, measuring builder confidence in the new single-family home market, fell three points to 46 in September.

National Association of Realtors

Wednesday, [Existing Home Sales](#): “Existing-home sales decreased for the seventh straight month to a seasonally adjusted annual rate of 4.80 million. Sales tailed off 0.4 percent from July and 19.9 percent from the previous year. . . . The median existing-home sales price rose 7.7 percent from one year ago to \$389,500. . . . After five successive monthly increases, the inventory of unsold existing homes dwindled to 1.28 million by the end of August, or the equivalent of 3.2 months at the current monthly sales pace.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 3.8 percent from one week earlier.” According to Joel Kan, MBA’s associate vice president of economic and industry forecasting, “As with the swings in rates and other uncertainties around the housing market and broader economy, mortgage applications increased for the first time in six weeks but remained well below last year’s levels, with purchase applications 30 percent lower and refinance activity down 83 percent. The weekly gain in applications, despite higher rates, underscores the overall volatility right now as well as Labor Day-adjusted results the prior week.”