

Economic Update, October 21, 2022  
Submitted by Kevin C. McCarthy

Summary: Recent data indicate continued but slowing economic expansion while forward-looking indicators are more pessimistic. On Tuesday, the Federal Reserve released the Beige Book, observing modest expansion of the national economy between August and September, though conditions are uneven across the country. The labor market remains strong in Tennessee. Although the Department of Labor reported that initial unemployment claims increased in Tennessee last week, state job openings and labor turnover data indicate unfilled job openings continue to exceed hiring in Tennessee. The Bureau of Labor Statistics reported widespread wage and salary increases during the third quarter; however, increased consumer prices noted in [last week's update](#) outpaced those gains. And according to data from Federal Reserve, production of consumer goods declined in the third quarter. This may indicate suppliers are cutting back production in response to waning consumer demand.

The most striking evidence of a slowdown comes from the housing sector. Consumers continue to meet their existing housing payments, and the Mortgage Bankers Association reports that mortgage forbearances and delinquencies are declining. However, applications for new mortgage loans has fallen sharply as rising interest rates increase the cost of borrowing. The pullback among consumers has slowed the pace of construction, diminishing expectations among homebuilders.

**Federal Government Indicators and Reports:**

Federal Reserve

Tuesday, [Industrial Production and Capacity Utilization](#): “Industrial production increased 0.4 percent in September and 2.9 percent. . . in the third quarter. In September, manufacturing output rose 0.4 percent after advancing a similar amount in the previous month. . . At 105.2 percent of its 2017 average, total industrial production in September was 5.3 percent above [the 2021] level. Capacity utilization moved up 0.2 percentage point in September to 80.3 percent, a rate that is 0.7 percentage point above its long-run (1972–2021) average. . . . Construction supplies recorded the largest gain (1.1 percent), while business supplies recorded the only decline (0.2 percent). Despite increasing for the month of September, the output of consumer goods decreased 0.6 percent at an annual rate in the third quarter, a noticeable slowdown from its rate of change of 3.1 percent in the second quarter.”

Wednesday, [Beige Book](#): “National economic activity expanded modestly on net since the previous report; however, conditions varied across industries and Districts. . . . Bankers in most reporting Districts cited declines in loan volumes, partly a result of shrinking residential real estate lending. . . . Outlooks grew more pessimistic amidst growing concerns about weakening demand. . . . Employment continued to rise at a modest to moderate pace in most Districts. Several Districts reported a cooling in labor demand, with some noting that businesses were hesitant to add to payrolls amid increased concerns of an economic downturn. . . . Price growth remained elevated, though some easing was noted across several Districts. . . . Looking ahead, expectations were for price increases to generally moderate.”

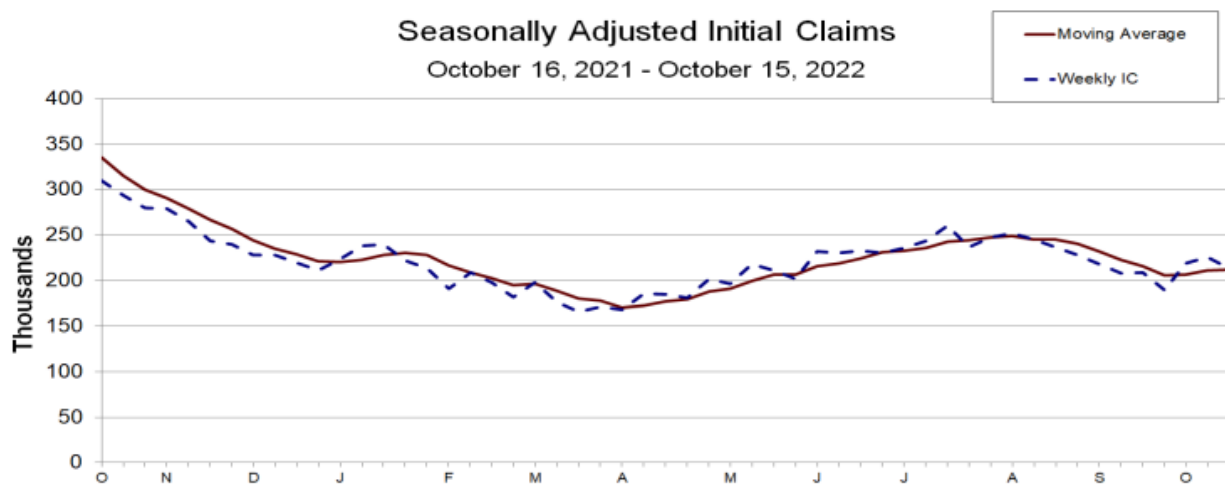
Bureau of Labor Statistics

Tuesday, [Usual Weekly Earnings of Wage and Salary Workers](#): “Median weekly earnings of the nation's 120.2 million full-time wage and salary workers were \$1,070 in the third quarter of 2022 (not seasonally adjusted). . . . This was 6.9 percent higher than a year earlier, compared with a gain of 8.3 percent in the Consumer Price Index for All Urban Consumers (CPI-U) over the same period. . . . Seasonally adjusted median weekly earnings increased to \$1,068 in the third quarter of 2022.”

Wednesday, [State Job Openings and Labor Turnover](#): “Job openings rates decreased in 26 states and increased in 2 states on the last business day of August. . . . Hires rates increased in 6 states and decreased in 3 states. Total separations rates increased in 8 states and decreased in 3 states. Nationally, the job openings rate decreased in August, the hires rate was unchanged, and the total separations rate changed little.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending October 15, the advance figure for seasonally adjusted initial claims was 214,000, a decrease of 12,000 from the previous week's revised level. . . . The advance seasonally adjusted insured unemployment rate was 1.0 percent for the week ending October 8, an increase of 0.1 percentage point from the previous week's revised rate.” In Tennessee there were 2,563 initial claims for the week ending October 15, an increase of 218 from the week prior.



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

The Conference Board

Thursday, [U.S. Leading Economic Index](#): The index “decreased by 0.4 percent in September 2022 to 115.9 (2016=100), after remaining unchanged in August. The LEI is down 2.8 percent over the six-month period between March and September 2022, a reversal from its 1.4 percent growth over the previous six months.”

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

Federal National Mortgage Association

Monday, [Home Price Index](#): “Single-family home prices increased at a non-seasonally adjusted annual rate of 13.8 percent in Q3 2022, down from the previous quarter’s revised 19.1 percent, according to Fannie Mae’s latest [Home Price Index \(FNM-HPI\)](#).”

## Home price growth decelerated sharply in the third quarter



Source: Q3 2022 Fannie Mae Home Price Index (FNM-HPI)



### Mortgage Bankers Association

Monday, [Loan Monitoring Survey](#): “According to MBA’s estimate, 345,000 homeowners are in forbearance plans. . . . The share of Fannie Mae and Freddie Mac loans in forbearance decreased 2 basis points to 0.30 percent.”

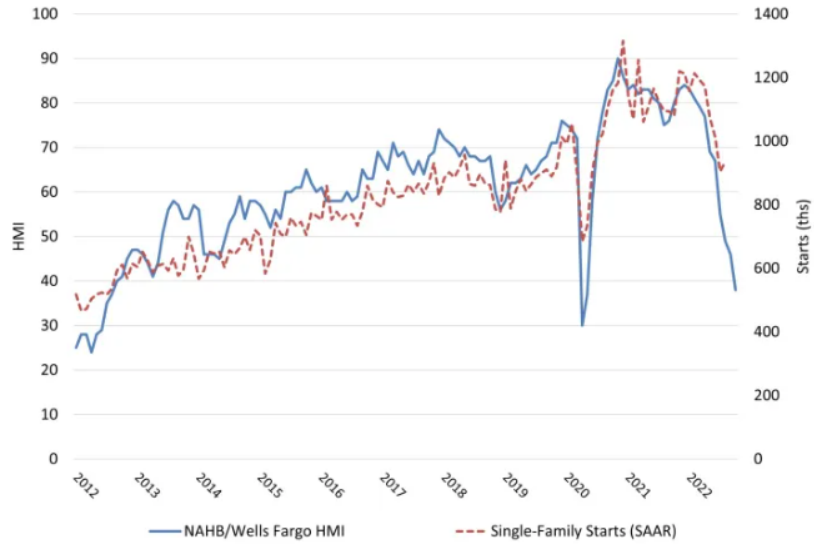
Monday, [Multifamily Mortgage Delinquency Rates](#): “Commercial and multifamily mortgages continued to perform well through the third quarter,” said Vice President Jamie Woodwell. Additionally, “0.4 percent of multifamily balances were delinquent, down from 0.6 percent [during the second quarter of 2022].”

Wednesday, [Weekly Mortgage Applications Survey](#): “The Market Composite Index, a measure of mortgage loan application volume, decreased 4.5 percent on a seasonally adjusted basis from one week earlier.”

### National Association of Homebuilders


Tuesday, [Housing Market Index](#): “Builder confidence in the market for newly built single-family homes dropped eight points in October to 38—half the level it was just six months ago. . . . This is the lowest confidence reading since August 2012, with the exception of the onset of the pandemic in the spring of 2020.”

NAHB/Wells Fargo Housing Market Index



Census Bureau

Wednesday, [New Residential Construction](#): “Privately-owned housing units authorized by building permits in September were at a seasonally adjusted annual rate of 1,564,000. This is 1.4 percent above the revised August rate of 1,542,000, but is 3.2 percent below the September 2021 rate of 1,615,000.” Total housing starts declined 7.7 percent year-over-year. Completions increased 15.7 percent. At the end of September, there were 291,000 housing units which had been authorized but not started; 160,000 of those are located in the South.



**NEW RESIDENTIAL CONSTRUCTION**  
**SEPTEMBER 2022**

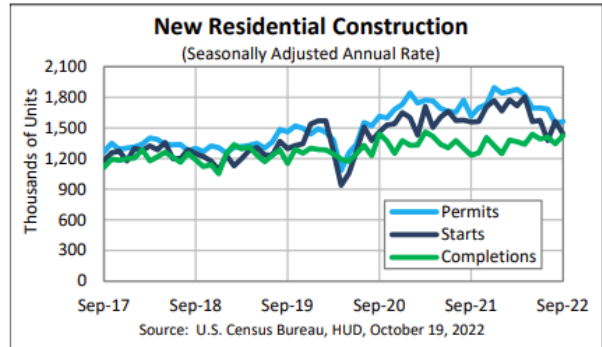
**Building Permits: 1,564,000**

**Housing Starts: 1,439,000**

**Housing Completions: 1,427,000**

**Next Release: November 17, 2022**

Seasonally Adjusted Annual Rate (SAAR)  
Source: U.S. Census Bureau, HUD, October 19, 2022



National Association of Realtors

Thursday, [Existing Home Sales](#): “Existing-home sales sagged for the eighth consecutive month to a seasonally adjusted annual rate of 4.71 million. Sales slipped 1.5 percent from August and 23.8 percent from the previous year. . . . In the South, existing-home sales pulled back 1.9 percent in September from August to an annual rate of 2,080,000, a decline of 23.8 percent from this time last year. The median price in the South was \$351,700, an increase of 11.8 percent from September 2021.”