

## Economic Update, December 2, 2022

Submitted by Chris Belden

Summary: In a busy week of economic news, Federal Reserve Chairman Jerome Powell [gave remarks](#) on the state of the economy at the Brookings Institution's Hutchins Center on Fiscal and Monetary Policy. He noted that smaller interest rate hikes will likely be coming soon, possibly as early as December. However, he cautioned that policy tightening will still be needed for the foreseeable future, saying, "Despite some promising developments, we have a long way to go in restoring price stability."

The personal consumption expenditures price index, the Fed's preferred measure of inflation, increased in October by 0.3 percent from September, and 6 percent from the previous year. GDP in the second quarter was higher than originally thought, as the release from the Bureau of Economic Analysis (BEA) found that it had increased by 2.9 percent in the BEA's second estimate, up from 2.6 percent in the advanced estimate. Consumer spending, a key factor in determining GDP, rose by 0.8 percent in October from the previous month, the largest increase since January. And the U.S. economy added 263,000 jobs in November, as the unemployment rate remained unchanged at 3.7 percent, both signs of a stubbornly strong labor market amid interest rate hikes and inflation.

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

#### Census Bureau

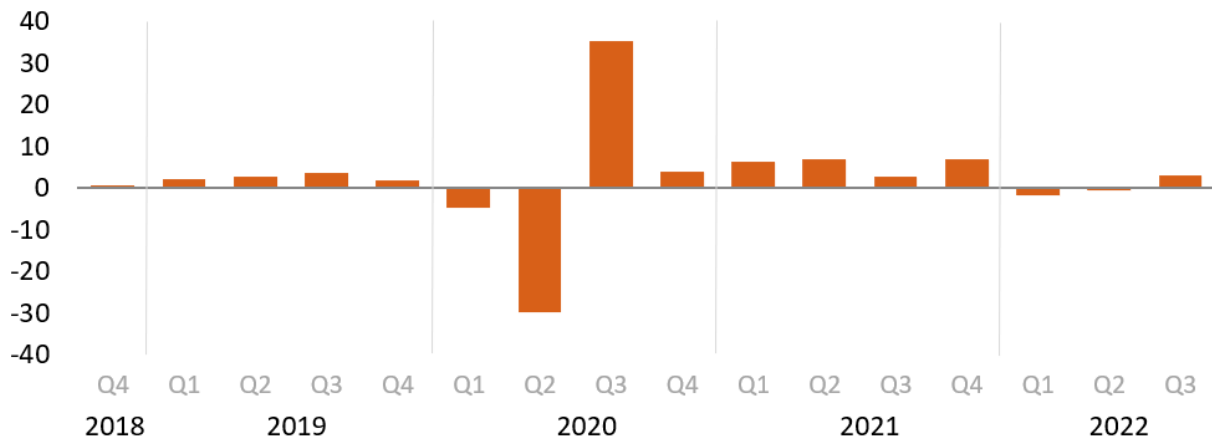
Wednesday, [Advance Economic Indicators](#): "The international trade deficit was \$99.0 billion in October, up \$7.1 billion from \$91.9 billion in September. Exports of goods for October were \$173.7 billion, \$4.7 billion less than September exports. Imports of goods for October were \$272.7 billion, \$2.4 billion more than September imports. . . . Wholesale inventories for October . . . were estimated at an end-of-month level of \$925.8 billion, up 0.8 percent from September 2022. . . . Retail inventories for October . . . were estimated at an end-of-month level of \$739.5 billion, down 0.2 percent from September 2022."

Thursday, [Construction Spending](#): "Construction spending during October 2022 was estimated at a seasonally adjusted annual rate of \$1,794.9 billion, 0.3 percent below the revised September estimate of \$1,800.1 billion. The October figure is 9.2 percent above the October 2021 estimate of \$1,644.3 billion."

#### Bureau of Economic Analysis

Wednesday, [Gross Domestic Product \(Second Estimate\)](#): "Real gross domestic product increased at an annual rate of 2.9 percent in the third quarter of 2022. . . . The GDP estimate released today is based on more complete source data than were available for the 'advance' estimate issued last month. In the advance estimate, the increase in real GDP was 2.6 percent. The second estimate primarily reflected upward revisions to consumer spending and nonresidential fixed investment that were partly offset by a downward revision to private inventory investment."

### Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted annual

Thursday, [Personal Income and Outlays](#): “Personal income increased \$155.3 billion (0.7 percent) in October. . . . Personal consumption expenditures (PCE) increased \$147.9 billion (0.8 percent). . . . The PCE price index increased 0.3 percent. Excluding food and energy, the PCE price index increased 0.2 percent. . . . Personal outlays increased \$154.2 billion in October.”

	2022				
	June	July	Aug.	Sept.	Oct.
	<b>Percent change from preceding month</b>				
<b>Personal income:</b>					
Current dollars	0.5	0.5	0.3	0.4	0.7
<b>Disposable personal income:</b>					
Current dollars	0.6	0.4	0.3	0.3	0.7
Chained (2012) dollars	-0.4	0.5	0.1	0.0	0.4
<b>Personal consumption expenditures (PCE):</b>					
Current dollars	1.2	-0.2	0.7	0.6	0.8
Chained (2012) dollars	0.2	-0.1	0.4	0.3	0.5
<b>Price indexes:</b>					
PCE	1.0	-0.1	0.3	0.3	0.3
PCE, excluding food and energy	0.6	0.1	0.5	0.5	0.2
	<b>Percent change from month one year ago</b>				
<b>Price indexes:</b>					
PCE	7.0	6.4	6.2	6.3	6.0
PCE, excluding food and energy	5.0	4.7	4.9	5.2	5.0

Bureau of Labor Statistics

Wednesday, [Job Openings and Labor Turnover](#): “The number of job openings edged down to 10.3 million on the last business day of October. . . . The number of total separations changed little at 5.7 million, and the rate was unchanged at 3.7 percent.”

Friday, [Employment Situation](#): “Total nonfarm payroll employment increased by 263,000 in November, and the unemployment rate was unchanged at 3.7 percent. . . . Notable job gains occurred in

leisure and hospitality, health care, and government. Employment declined in retail trade and in transportation and warehousing.”

Department of Labor

Thursday, [Initial Claims](#): “In the week ending November 26, the advance figure for seasonally adjusted initial claims was 225,000, a decrease of 16,000 from the previous week's revised level. . . . The 4-week moving average was 228,750, an increase of 1,750 from the previous week's revised average.”

### **Economic Indicators and Confidence**

The Conference Board

Tuesday, [U.S. Consumer Confidence](#): The index “decreased in November after also losing ground in October. The Index now stands at 100.2, down from 102.2 in October.” According to Lynn Franco, senior director of economic indicators at the Conference Board: “Inflation expectations increased to their highest level since July, with both gas and food prices as the main culprits. Intentions to purchase homes, automobiles, and big-ticket appliances all cooled. The combination of inflation and interest rate hikes will continue to pose challenges to confidence and economic growth into early 2023.”

ADP

Wednesday, [Employment Change](#): “Private employers added 127,000 jobs in November. Job creation slowed by the most since January 2021, led by construction and other interest rate-sensitive sectors. Consumer-facing segments—including health care and hospitality—were bright spots.”

Institute for Supply Management

Thursday, [Manufacturing Purchasing Managers' Index \(PMI\)](#): “The November Manufacturing PMI registered 49 percent, 1.2 percentage points lower than the 50.2 percent recorded in October. Regarding the overall economy, this figure indicates expansion for the 30th month in a row after contraction in April and May 2020. The Manufacturing PMI figure is the lowest since May 2020, when it registered 43.5 percent.”

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

S&P CoreLogic

Tuesday, [Case-Shiller Home Price Index](#): “The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, reported a 10.6 percent annual gain in September, down from 12.9 percent in the previous month.”

Mortgage Bankers Association

Thursday, [Mortgage Applications](#): “Mortgage applications decreased 0.8 percent from one week earlier. . . for the week ending November 25, 2022.” Joel Kan, MBA's vice president and deputy chief economist, said, “Mortgage rates declined again last week, following bond yields lower. The 30-year fixed mortgage rate decreased to 6.49 percent and has now fallen 57 basis points over the past four

weeks. Additionally, mortgage rates for most other loan types declined. The economy here and abroad is weakening, which should lead to slower inflation and allow the Fed to slow the pace of rate hikes.”

National Association of Realtors

Wednesday, [Pending Home Sales](#): “Pending home sales dropped for the fifth consecutive month, down 4.6 percent from September. . . . Month-over-month, contract signings fell in three of four major U.S. regions, while the Midwest registered an increase. . . . Pending sales declined in all regions compared to one year ago.”