

Economic Update, December 22, 2022

Submitted by Bob Moreo

Summary: Consumer confidence showed a little holiday cheer this week. [Yahoo! Finance](#) reported December's reading is "the highest level since April," as inflation expectations decreased "to their lowest level since September 2021." Third-quarter GDP was revised upwards from the government's previous estimate, and "[record high](#)" exports narrowed the nation's current account deficit. Consumer expenditures in October "posted their largest monthly gain since January," but economists at [Fannie Mae](#) warn "the current pace of consumer spending [is] unsustainable," with consumer debt nearing its pre-pandemic all-time high. They "expect a modest recession to begin in the first quarter of 2023," and see inverted yield curves, "consistent with growing pessimism regarding the global economic outlook." Leading indicators in November repeated their October decline, [falling worse than economists expected](#). Stock markets responded with volatility, rallying on Wednesday's consumer confidence news only to fall sharply Thursday, "[as investors remained concerned that further monetary tightening from central banks around the world will push the economy into a recession.](#)"

Federal Government Indicators and Reports:

Bureau of Economic Analysis

Wednesday, [U.S. International Transactions](#): "The U.S. current-account deficit . . . narrowed by \$21.6 billion, or 9.1 percent, to \$217.1 billion in the third quarter of 2022. . . . The third-quarter deficit was 3.4 percent of current-dollar gross domestic product, down from 3.8 percent in the second quarter. . . . Exports of goods increased \$7.2 billion to \$547.0 billion, reflecting increases in . . . civilian aircraft engines and parts and other industrial machinery, that were partly offset by a decrease in foods, feeds, and beverages. . . . Imports of goods decreased \$32.5 billion to \$818.2 billion, reflecting widespread decreases in consumer goods and in industrial supplies and materials."

Thursday, [Gross Domestic Product and Corporate Profits](#): "Real gross domestic product (GDP) increased at an annual rate of 3.2 percent in the third quarter of 2022, according to the 'third' estimate released by the Bureau of Economic Analysis. . . . In the second estimate, the increase in real GDP was 2.9 percent. . . . Real gross domestic income (GDI) increased 0.8 percent in the third quarter, an upward revision of 0.5 percentage point from the previous estimate. . . . Profits of domestic nonfinancial corporations increased \$16.1 billion, an upward revision of \$10.0 billion."

Census Bureau

Note: Friday, December 23, is a state holiday. The Census Bureau's [new residential sales report](#) and [advance report on durable goods](#) for November 2022 will be released after this week's update is published.

Tuesday, [New Residential Construction](#): "Privately-owned housing units authorized by building permits in November were at a seasonally adjusted annual rate of 1,342,000. This is 11.2 percent below the revised October rate of 1,512,000 and is 22.4 percent below the November 2021 rate of 1,729,000. . . . Housing starts in November were at a seasonally adjusted annual rate of 1,427,000. This is 0.5 percent below the revised October estimate of 1,434,000 and is 16.4 percent below the November 2021 rate of 1,706,000."

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): "In the week ending December 17, the advance figure for seasonally adjusted initial claims was 216,000, an increase of 2,000 from the previous

week's revised level. The previous week's level was revised up by 3,000 from 211,000 to 214,000. The 4-week moving average was 221,750, a decrease of 6,250 from the previous week's revised average."

In Tennessee, the unadjusted advance figure for initial claims filed the week ending December 17 was 2,655, an increase of 288 from the previous week.

Federal Reserve Bank of Atlanta

Tuesday, [GDPNow](#): "The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2022 is 2.7 percent on December 20, down from 2.8 percent on December 15."

Economic Indicators and Confidence:

The Conference Board

Wednesday, [Consumer Confidence Survey](#): "[Consumer confidence] increased in December following back-to-back monthly declines. The Index now stands at 108.3, up sharply from 101.4 in November. The Present Situation Index . . . increased to 147.2 from 138.3 last month. The Expectations Index . . . improved to 82.4 from 76.7."

Thursday, [Leading Economic Index](#): The U.S. index "decreased by 1.0 percent in November 2022 to 113.5, following a decline of 0.9 percent in October. The LEI is now down 3.7 percent over the six-month period between May and November 2022." Ataman Ozyildirim, senior director of economics at The Conference Board, said "Labor market, manufacturing, and housing indicators all weakened—reflecting serious headwinds to economic growth. Interest rate spread and manufacturing new orders components were essentially unchanged in November, confirming a lack of economic growth momentum in the near term."

S&P Dow Jones

Tuesday, [S&P/Experian Consumer Credit Default Indices](#): The November 2022 consumer credit defaults "composite rate was two basis points higher at 0.59 percent. The bank card default rate was 16 basis points higher at 2.62 percent while the first mortgage default rate was up one basis point to 0.42 percent. The auto loan default rate was unchanged at 0.77 percent."

Mortgages and Housing Markets:

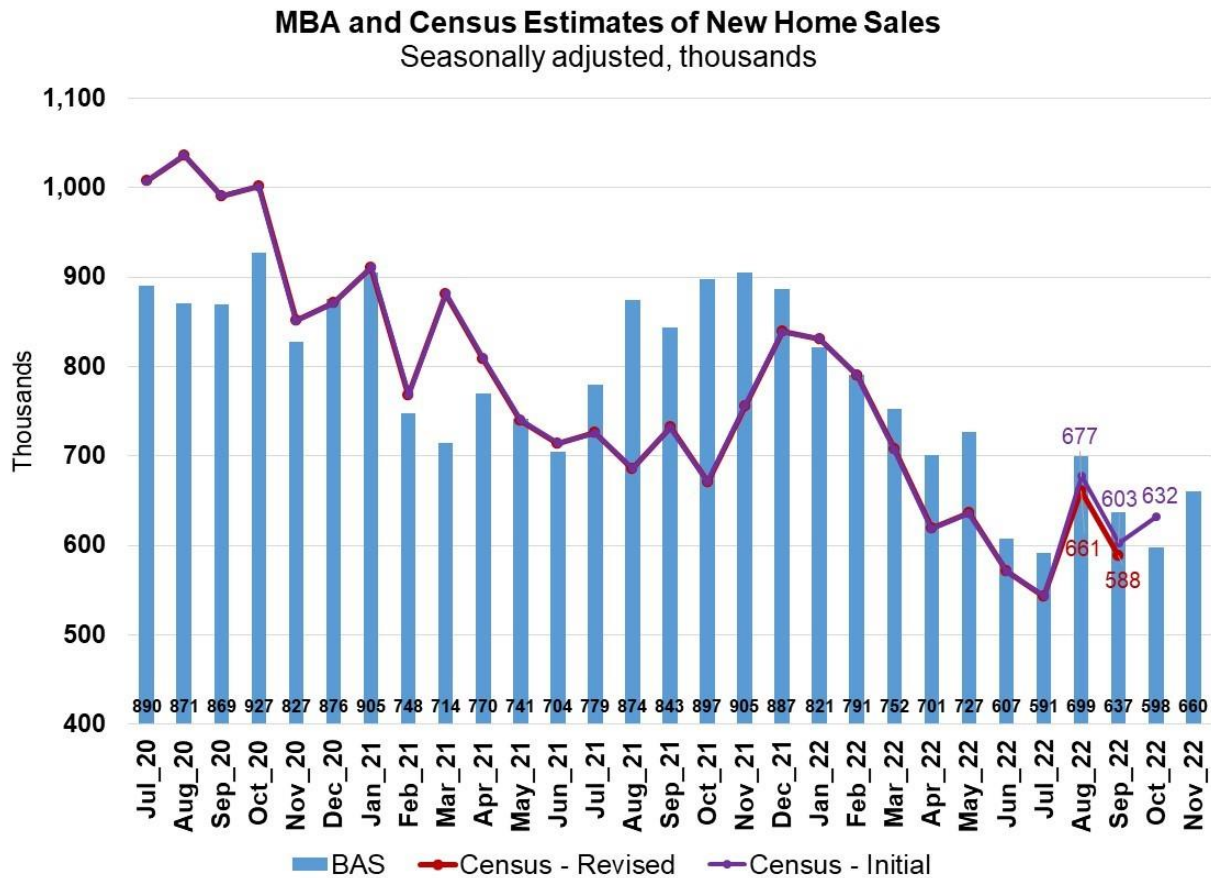
Fannie Mae

Monday, [Monthly Economic and Housing Outlook](#): Fannie Mae's Economic and Strategic Research Group adjusted its expectations for fourth quarter 2022 economic growth upwards to 0.4 percent "following both the upward revision to Q3 2022 Real Gross Domestic Product (GDP) data and a stronger-than-expected personal consumption figure for October. However, we still expect a modest recession to begin in the first quarter of 2023. Our outlook for 2023 is for negative 0.5 percent growth (negative 0.6 percent previously), and in 2024 we expect a return to expansion at 2.2 percent annual growth."

Mortgage Bankers Association

Tuesday, [Builder Application Survey](#): "Data for November 2022 shows mortgage applications for new home purchases decreased 25.2 percent compared from a year ago. Compared to October 2022, applications increased by 1 percent. . . . MBA estimates new single-family home sales . . . were running

at a seasonally adjusted annual rate of 660,000 units in November 2022, based on data from the [Builder Application Survey].”



Wednesday, [Weekly Mortgage Applications Survey](#): “Mortgage applications increased 0.9 percent from one week earlier, according to data from the . . . week ending December 16, 2022. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$647,200 or less) decreased to 6.34 percent from 6.42 percent.”

National Association of Home Builders

Monday, [Wells Fargo Housing Market Index](#): “Builder confidence in the market for newly built single-family homes posted its 12th straight monthly decline in December, dropping two points to 31. . . . This is the lowest confidence reading since mid-2012, with the exception of the onset of the pandemic in the spring of 2020. . . . The silver lining in this HMI report is that it is the smallest drop in the index in the past six months, indicating that we are possibly nearing the bottom of the cycle for builder sentiment.”

National Association of Realtors

Wednesday, [Existing Home Sales](#): “Existing-home sales fell for the tenth consecutive month to a seasonally adjusted annual rate of 4.09 million. Sales slipped 7.7 percent from October and 35.4 percent from the previous year. . . . The median existing-home sales price rose to \$370,700, an increase of 3.5 percent from one year ago. . . . The inventory of unsold existing homes retreated for the fourth straight month to 1.14 million at the end of November, or the equivalent of 3.3 months' supply at the current monthly sales pace.”