

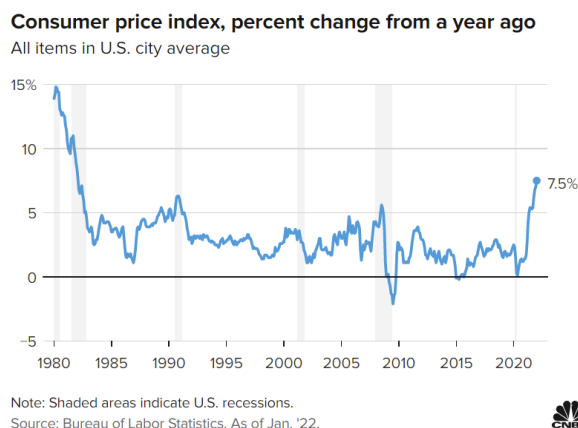
Economic Update, February 11, 2022
Submitted by Kevin Vanzant

Summary: The headline economic news this week was the consumer price index, a closely watched inflation gauge, which rose 7.5 percent compared with a year ago, indicating a worsening outlook for inflation and cementing the likelihood of substantial interest rate hikes this year. Inflation fears weighed on several economic optimism surveys released this week as well. U.S. small business confidence fell to an 11-month low in January, according to the National Federation of Independent Business's Small Business Optimism Index, and Americans have grown more pessimistic about the U.S. economy, according to the February IBD/TIPP Economic Optimism Index, which slipped seven-tenths of a point to 44, its seventh straight month below the neutral 50 level. The University of Michigan Consumer Sentiment preliminary reading for February was also down this week, reaching its worst level in a decade, falling 8.2 percent from last month and 19.7 percent from last February. At the end of 2021, U.S. consumer debt reached \$15.6 trillion, growing by \$1 trillion for the entire year, the largest amount in 14 years, as people ramped up borrowing to afford homes, cars, and other goods that are becoming more expensive. On the back of that same spending, the U.S. trade deficit [jumped](#) 27 percent in 2021 to a record \$859 billion. U.S. wholesale inventories rose in December slightly more than initially estimated, though, according to the Commerce Department. Mortgage applications dropped 10 percent last week compared with the previous week, according to the Mortgage Bankers Association, and initial jobless claims continued their decline from a mid-January surge, registering 223,000 for last week.

Federal Government Indicators and Reports:

Bureau of Labor Statistics

Thursday, [Consumer Price Index](#): "The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.6 percent in January on a seasonally adjusted basis . . . Over the last 12 months, the all items index increased 7.5 percent before seasonal adjustment. Increases in the indexes for food, electricity, and shelter were the largest contributors to the seasonally adjusted all items increase. . . . The all items index rose 7.5 percent for the 12 months ending January, the largest 12-month increase since the period ending February 1982. The all items less food and energy index rose 6.0 percent, the largest 12-month change since the period ending August 1982. . . . The index for all items less food and energy rose 0.6 percent in January, the same increase as in December. This was the seventh time in the last 10 months it has increased at least 0.5 percent."



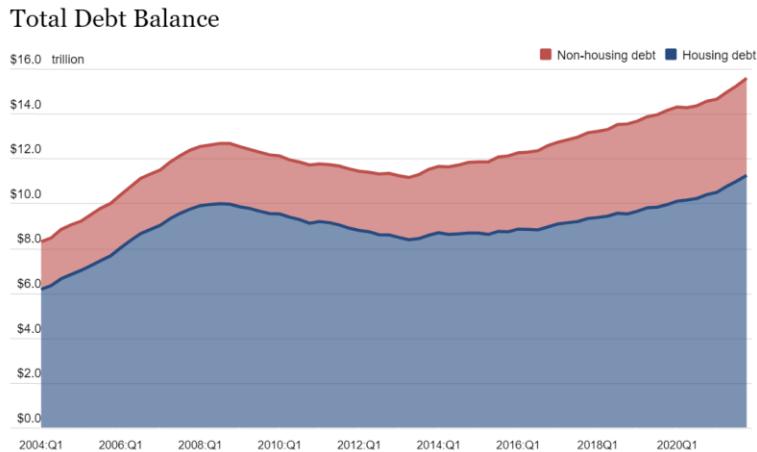
Source: [CNBC](#)

Federal Reserve

Monday, [Consumer Credit](#): “In 2021, consumer credit increased 5.9 percent, with revolving and nonrevolving credit increasing 6.6 percent and 5.7 percent, respectively. During the fourth quarter, consumer credit increased at a seasonally adjusted annual rate of 6.6 percent, while in December it increased at a seasonally adjusted annual rate of 5.1 percent.”

Federal Reserve Bank of New York:

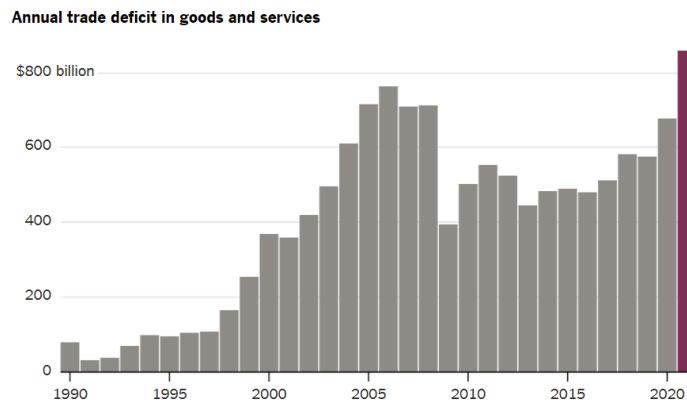
Tuesday, [Household Debt and Credit Report](#): “Total household debt increased by . . . 2.2 percent to \$15.58 trillion in the fourth quarter of 2021. The total debt balance reflects an increase of \$1 trillion during 2021 and is \$1.4 trillion higher than at the end of 2019.”



Source: [Federal Reserve Bank of New York](#)

Department of Commerce

Tuesday, [Balance of Trade](#): “The U.S. Census Bureau and the U.S. Bureau of Economic Analysis announced . . . that the goods and services deficit was \$80.7 billion in December, up \$1.4 billion from \$79.3 billion in November, revised. . . . For 2021, the goods and services deficit increased \$182.4 billion, or 27.0 percent, from 2020. Exports increased \$394.1 billion or 18.5 percent. Imports increased \$576.5 billion or 20.5 percent.”

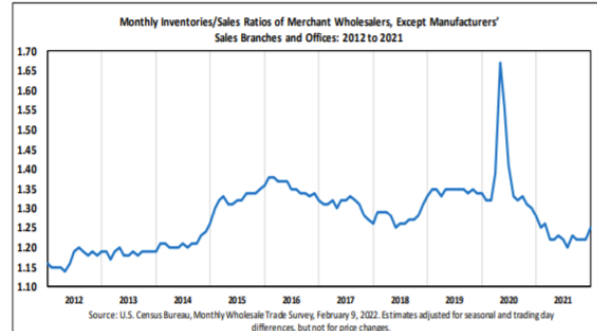


Source: [The New York Times](#)

Census Bureau

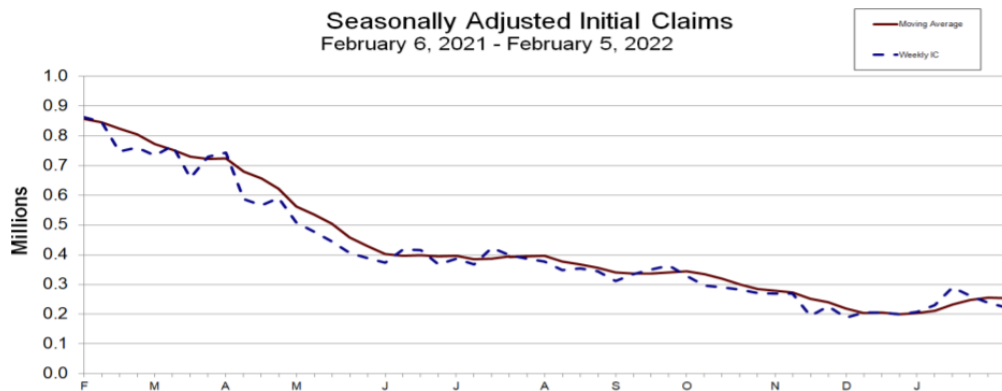
Wednesday, [Wholesale Trade](#): “December 2021 sales of merchant wholesalers . . . were \$634.6 billion, up 0.2 percent from the revised November level and were up 21.8 percent from the revised December 2020 level. . . . Total inventories of merchant wholesalers . . . were \$790.8 billion at the end of December, up 2.2 percent from the revised November level. Total inventories were up 18.5 percent from the revised December 2020 level.”

MONTHLY WHOLESALE INVENTORIES		
DECEMBER 2021	\$790.8 billion	+2.2%
NOVEMBER 2021 (revised)	\$773.6 billion	+1.7%
Next release: March 8, 2022		
* The 90 percent confidence interval includes zero. There is insufficient evidence to conclude that the actual change is different from zero. Data adjusted for seasonality but not price changes. Source: U.S. Census Bureau, Monthly Wholesale Trade Survey, February 9, 2022.		



Department of Labor

Thursday, [Jobless Claims](#): “In the week ending February 5, the advance figure for seasonally adjusted initial claims was 223,000, a decrease of 16,000 from the previous week's revised level. . . . The 4-week moving average was 253,250, a decrease of 2,000 from the previous week's revised average. . . . The advance seasonally adjusted insured unemployment rate was 1.2 percent for the week ending January 29, unchanged from the previous week's unrevised rate.”



Economic Indicators and Confidence:

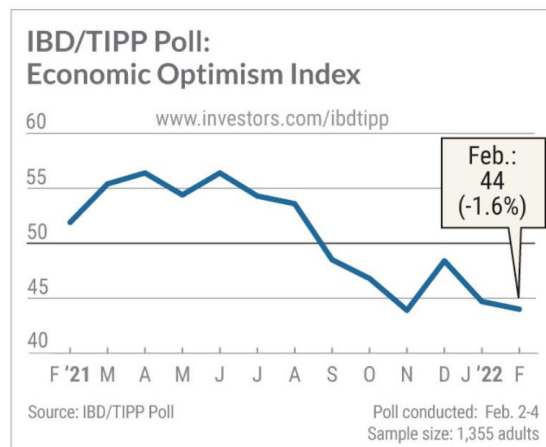
National Federation of Independent Business

Tuesday, [Small Business Optimism Index](#): “The Small Business Optimism Index decreased slightly in January to 97.1, down 1.8 points from December. Inflation remains a problem for small businesses as 22 percent of owners reported that inflation was their single most important business problem, unchanged from December when it reached the highest level since 1981. The net percent of owners raising average selling prices increased four points to a net 61 percent (seasonally adjusted), the highest reading since the fourth quarter of 1974.” According to NFIB Chief Economist Bill Dunkelberg:

“More small business owners started the New Year raising prices in an attempt to pass on higher inventory, supplies, and labor costs. . . . In addition to inflation issues, owners are also raising compensation at record high rates to attract qualified employees to their open positions.”

Investor’s Business Daily

Tuesday, [IBD/Tipp Economic Optimism Index](#): “The IBD/TIPP Economic Optimism Index, an early monthly read on consumer confidence, slipped seven-tenths of a point to 44,” indicating that “Americans have grown a bit more pessimistic about the U.S. economy with the end of monthly child care tax credits, the highest inflation in a generation, and a stock market pullback.” The index has now marked “seven straight months below the neutral 50 level. The silver lining is that the six-month economic outlook index ticked higher, albeit from deeply pessimistic levels.”



University of Michigan

Friday, [Consumer Sentiment](#): “Sentiment continued its downward descent, reaching its worst level in a decade, falling a stunning 8.2 percent from last month and 19.7 percent from last February. The recent declines have been driven by weakening personal financial prospects, largely due to rising inflation, less confidence in the government’s economic policies, and the least favorable long-term economic outlook in a decade. Importantly, the entire February decline was among households with incomes of \$100,000 or more; their Sentiment Index fell by 16.1 percent from last month, and 27.5 percent from last year. The impact of higher inflation on personal finances was spontaneously cited by one-third of all consumers, with nearly half of all consumers expecting declines in their inflation adjusted incomes during the year ahead. In addition, fewer households cited rising net household wealth since the pandemic low in May 2020, largely due to the falling likelihood of stock price increases in 2022.”

Mortgages and Housing Markets

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “For the week ending February 4, 2022 . . . the Market Composite Index, a measure of mortgage loan application volume, decreased 8.1 percent on a seasonally adjusted basis from one week earlier.”