

## Economic Update, February 18, 2022

Submitted by Bob Moreo

Summary: Reports this week showed many indications that the economy was off to a strong start in the new year. The Census Bureau reported business inventories increased in December, and [according to Reuters](#) the auto industry showed significant improvement in the final two months of 2021, a sign that supply chain shortages, especially of semiconductors, may be easing. The U.S. government reported an increasing number of new business formations in January as well as the biggest monthly gain in retail sales since last March, although writers for [Barron's](#) and [MarketWatch](#) cautioned the sales data was somewhat inflated by rising prices and a downward revision to December's data. The Federal Reserve reported increased U.S. industrial production that surpassed pre-pandemic levels in January.

Housing starts and completions declined in January, but [cold weather and labor shortages could have been a factor](#). New building permits increased, however, signaling more construction to come—new houses desperately needed as the inventory of existing homes at the end of December was at an all-time low. However, mortgage rates are on the rise ahead of a likely Fed rate hike, hitting the 4 percent mark in mid-February.

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

#### Bureau of Labor Statistics

Tuesday, [Producer Price Indexes](#): “The Producer Price Index for final demand increased 1.0 percent in January, seasonally adjusted. . . . Within intermediate demand in January, prices for processed goods increased 1.7 percent, the index for unprocessed goods fell 2.0 percent, and prices for services advanced 0.4 percent.”

Thursday, [State Job Openings and Labor Turnover](#): “Job openings rates increased in 7 states, decreased in 4 states, and were little changed in 39 states and the District of Columbia on the last business day of December. . . . Nationally, the number of job openings was little changed.” There were no major changes in Tennessee for any of the measures reported in this release. The seasonally adjusted job openings level for Tennessee at the end of December was 223,000, which was down slightly from 232,000 in November 2021. Hires and separations both decreased slightly as well.

#### Bureau of Transportation Statistics

Tuesday, [North American Freight Data](#): The value of North American transborder freight moved in December 2021 was \$117.5 billion, “up 22.0 percent compared to pre-pandemic December 2019 and up 21.5 percent compared to December 2020.” For the full year of 2021, \$1.3 trillion worth of freight moved across North American borders, “up 8 percent compared to pre-pandemic 2019, up 24.6 percent compared to 2020.”

#### Census Bureau

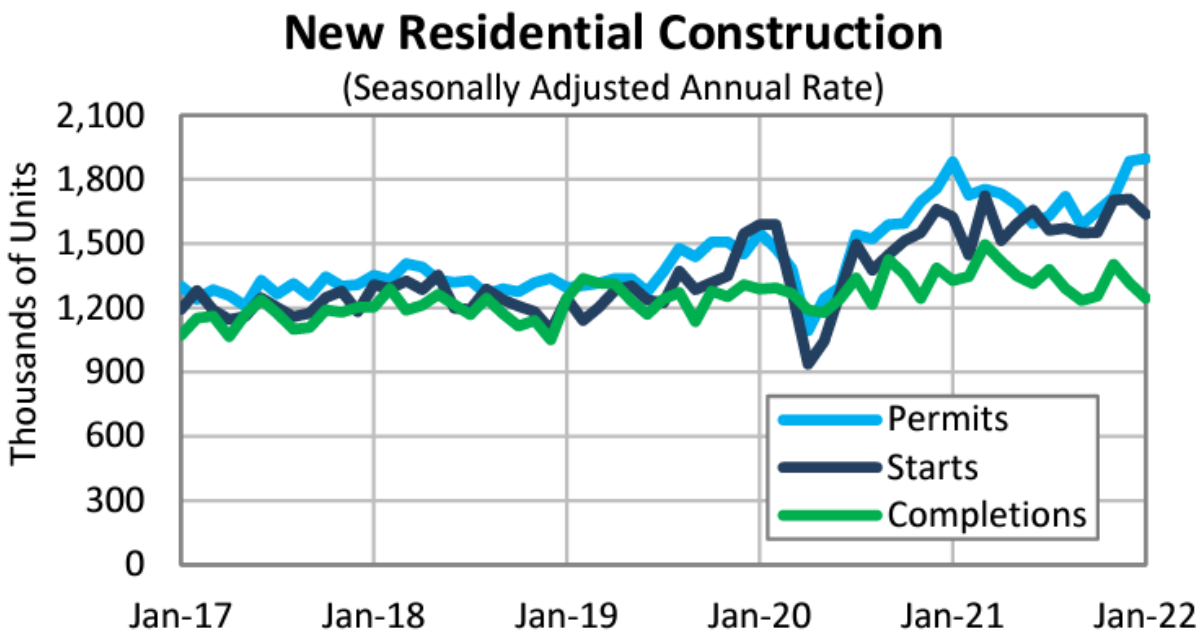
Tuesday, [Business Formation Statistics](#): “Business Applications for January 2022, adjusted for seasonal variation, were 430,411, an increase of 2.6 percent compared to December 2021. . . . Projected Business Formations (within 4 quarters) for January 2022, adjusted for seasonal variation, were 31,287, an increase of 4.1 percent compared to December 2021.”

Wednesday, [Advance Monthly Sales for Retail and Food Services](#): “Advance estimates of U.S. retail and food services sales for January 2022 . . . were \$649.8 billion, an increase of 3.8 percent from

the previous month, and 13.0 percent above January 2021. Total sales for the November 2021 through January 2022 period were up 16.1 percent from the same period a year ago.”

Wednesday, [Manufacturing and Trade Inventories and Sales](#): “The combined value of distributive trade sales and manufacturers’ shipments for December . . . was estimated at \$1,717.2 billion, down 0.7 percent from November 2021, but was up 15.9 percent from December 2020. Manufacturers’ and trade inventories for December . . . were estimated at an end-of-month level of \$2,206.7 billion, up 2.1 percent from November 2021 and were up 10.5 percent from December 2020.”

Thursday, [New Residential Construction](#): “Permits in January were at a seasonally adjusted annual rate of 1,899,000. This is 0.7 percent above the revised December rate . . . and is 0.8 percent above the January 2021 rate. . . . Housing starts in January were at a seasonally adjusted annual rate of 1,638,000. This is 4.1 percent below the revised December estimate of 1,708,000, but is 0.8 percent above the January 2021 rate. . . . Housing completions in January were at a seasonally adjusted annual rate of 1,246,000. This is 5.2 percent below the revised December estimate.”



Source: U.S. Census Bureau, HUD, February 17, 2022

Friday, [Advance Quarterly Services Report](#): “Advance U.S. selected services total revenue for the fourth quarter of 2021, adjusted for seasonal variation but not for price changes, was \$4,798.4 billion, an increase of 3.0 percent from the third quarter of 2021 and up 14.3 percent from the fourth quarter of 2020.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending February 12, the advance figure for seasonally adjusted initial claims was 248,000, an increase of 23,000 from the previous week’s revised level. The previous week’s level was revised up by 2,000 from 223,000 to 225,000. The 4-week moving average was 243,250, a decrease of 10,500 from the previous week’s revised average. . . . The total number of continued weeks claimed for benefits in all programs for the week ending January 29 was 2,063,567, a decrease of 36,295 from the previous week.”

The unadjusted advance number of initial claims in Tennessee for the week ending February 12 was 4,578, up from 2,938 the prior week.

Federal Reserve Board

Wednesday, [Industrial Production and Capacity Utilization](#): “In January, total industrial production increased 1.4 percent. Manufacturing output and mining production rose 0.2 percent and 1.0 percent, respectively. . . . Total industrial production in January was 4.1 percent higher than its year-earlier level and 2.1 percent above its pre-pandemic (February 2020) reading. . . . Capacity utilization for the industrial sector increased 1.0 percentage point in January to 77.6 percent. . . . Manufacturing output . . . was up 2.5 percent over the past 12 months.”

Wednesday, [Minutes of the Federal Open Market Committee, January 25–26, 2022](#): “Expectations for the path of the federal funds rate shifted toward earlier rate increases, and interest rate futures priced in an increase in the target range for the federal funds rate at the March FOMC meeting. On average, respondents to the Desk surveys assigned a roughly 70 percent probability to an increase in the target range in March. . . . The median survey projection for the most likely level of the target range at the end of 2024 was about 2 percent, similar to December.”

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

The Conference Board

Friday, [Leading Economic Index](#): The index “decreased by 0.3 percent in January to 119.6 (2016 = 100), following a 0.7 percent increase in December and a 0.8 percent increase in November.” Ataman Ozyildirim, Senior Director of Economic Research at The Conference Board, said, “Despite this month’s decline and a deceleration in the LEI’s six-month growth rate, widespread strengths among the leading indicators still point to continued, albeit slower, economic growth into the spring.”

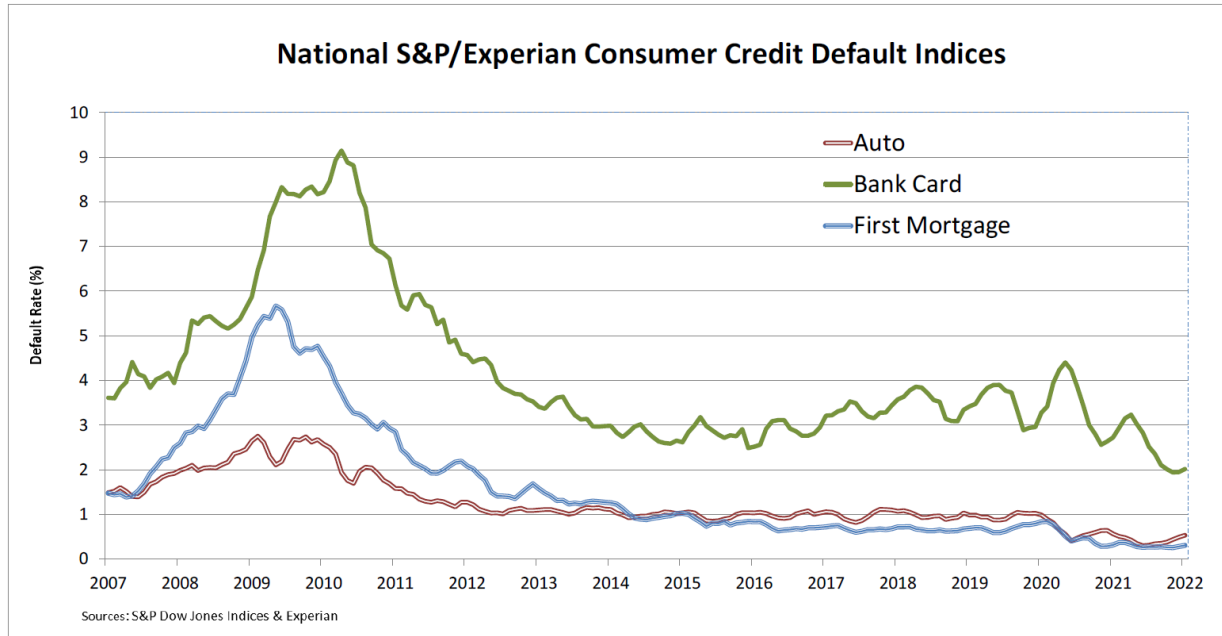
Federal Reserve Bank of New York

Monday, [Survey of Consumer Expectations](#): “Median one-year-ahead inflation expectations decreased to 5.8 percent in January from 6.0 percent in December. This is the first decline in short-term inflation expectations since October 2020. Similarly, median three-year ahead inflation expectations decreased by 0.5 percentage point to 3.5 percent. . . . Median year-ahead home price change expectations increased to 6.0 percent from 5.5 percent, above its 2021 average of 5.4 percent. . . . Expectations about year-ahead price changes for food, rent, gas, and medical care all declined by 0.1 percentage point to 7.7 percent, 9.8 percent, 5.6 percent, and 9.5 percent, respectively.

“Perceptions about households' current financial situations compared to a year ago improved slightly, with fewer respondents reporting being financially worse off than they were a year ago. Respondents were slightly more pessimistic about their household's financial situation in the year ahead, with more respondents expecting their financial situation to deteriorate a year from now.”

S&P Dow Jones

Tuesday, [S&P/Experian Consumer Credit Default Indices](#): Consumer credit defaults increased in January 2022, the second month in a row. “The bank card default rate increased seven basis points to 2.02 percent. The auto loan default rate was up four basis points to 0.53 percent while the first mortgage default rate was three basis points higher at 0.31 percent.” Default rates were still well below recent historic trends.



## **Mortgages and Housing Markets:**

### Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “30-year fixed-rate mortgage averaged 3.92 percent with an average 0.8 point for the week ending February 17, 2022, up from last week when it averaged 3.69 percent. A year ago at this time, the 30-year FRM averaged 2.81 percent.”

### Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications Survey](#): “Mortgage applications decreased 5.4 percent from one week earlier, according to data from . . . the week ending February 11, 2022. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$647,200 or less) increased to 4.05 percent from 3.83 percent.”

### National Association of Home Builders

Wednesday, [NAHB/Wells Fargo Housing Market Index](#): “Builder confidence in the market for newly built single-family homes moved one point lower to 82 in February, marking the second straight month that confidence levels have declined by a single point. . . . The HMI index gauging current sales conditions increased one point to 90, the gauge measuring sales expectations in the next six months fell two points to 80, and the component charting traffic of prospective buyers posted a four-point decline to 65.”

### National Association of Realtors

Wednesday, [Existing Home Sales](#): “In January 2022, existing-home sales rose to a seasonally adjusted annual rate of 6.5 million – an increase of 6.7 percent from the prior month, with sales up in all regions. At the end of December, the inventory of unsold existing homes fell to a new all-time low of 860,000, which is equivalent to 1.6 months of the monthly sales pace, also an all-time low. The median existing-home sales price rose at a stronger pace of 15.4 percent on a year-over-year basis, to \$350,300.”