

Economic Update, May 27, 2022  
Submitted by Kevin Vanzant

Summary: Economic data released this week showed a housing market that is continuing to cool off, as rising borrowing rates price out would-be homebuyers. Sales of newly built homes dropped much more than expected in April—16 percent—and pending home sales, a leading indicator of the health of the housing market going forward, dropped 3.9 percent, its sixth straight declining month. In inflation news, the core personal consumption expenditures price index, one of the Federal Reserve’s [preferred](#) inflation gauges, stood at 4.9 percent in April above what it had been a year ago, a still-elevated level but down from 5.2 percent in March and a possible indication that price pressures could be easing. And initial claims for state unemployment benefits last week decreased 8,000 to a seasonally adjusted 210,000. The decline partially unwound some of the prior week’s surge, which had pushed claims to their highest level since January, as the labor market remains tight despite rising interest rates and less favorable financial conditions.

**Federal Government Indicators and Reports:**

Census Bureau

Friday, [Advance Economic Indicators](#): “The international trade deficit was \$105.9 billion in April, down \$20.0 billion from \$125.9 billion in March. . . . Wholesale inventories for April, adjusted for seasonal variations and trading day differences, but not for price changes, were estimated at an end-of-month level of \$860.8 billion, up 2.1 percent from March 2022, and were up 23.8 percent from April 2021. . . . Retail inventories for April, adjusted for seasonal variations and trading day differences, but not for price changes, were estimated at an end-of-month level of \$696.3 billion, up 0.7 percent from March 2022, and were up 15.0 percent from April 2021.”

Bureau of Economic Analysis

Friday, [Personal Spending](#): “Personal income increased \$89.3 billion (0.4 percent) in April. Disposable personal income (DPI) increased \$48.3 billion (0.3 percent) and personal consumption expenditures (PCE) increased \$152.3 billion (0.9 percent). . . . Real DPI increased less than 0.1 percent in April and Real PCE increased 0.7 percent; goods increased 1.0 percent and services increased 0.5 percent. The PCE price index increased 0.2 percent. Excluding food and energy, the PCE price index increased 0.3 percent.”

Department of Labor

Thursday, [Initial Jobless Claims](#): “In the week ending May 21, the advance figure for seasonally adjusted initial claims was 210,000, a decrease of 8,000 from the previous week’s unrevised level of 218,000.”

Federal Reserve Bank of Chicago

Monday, [National Activity Index](#): “The Chicago Fed National Activity Index (CFNAI) increased to +0.47 in April from +0.36 in March. All four broad categories of indicators used to construct the index made positive contributions in April, and three categories improved from March.”

## Economic Indicators and Confidence:

IHS Markit

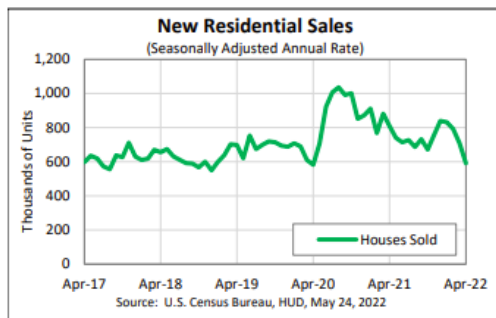
Wednesday, [U.S. Composite Purchasing Managers' Index \(PMI\)](#): "The headline Flash U.S. PMI Composite Output Index registered 53.8 in May, down from 56.0 in April, to signal a weakened rate of expansion of output across private sector firms. The rate of growth was the softest for four months, with the index now below the series long-run average of 54.8." Behind that decrease, "manufacturers and service providers signaled softer upturns in output amid elevated inflationary pressures, a further deterioration in supplier delivery times and weaker demand growth."

## Mortgages and Housing Markets

Census Bureau

Tuesday, [New Residential Sales](#): "Sales of new single-family houses in April 2022 were at a seasonally adjusted annual rate of 591,000. . . . This is 16.6 percent below the revised March rate of 709,000 and is 26.9 percent below the April 2021 estimate of 809,000. . . . The median sales price of new houses sold in April 2022 was \$450,600. The average sales price was \$570,300."

NEW RESIDENTIAL SALES APRIL 2022	
New Houses Sold <sup>1</sup> :	591,000
New Houses For Sale <sup>2</sup> :	444,000
Median Sales Price:	\$450,600
Next Release: June 24, 2022	
<sup>1</sup> Seasonally Adjusted Annual Rate (SAAR)	
<sup>2</sup> Seasonally Adjusted	
Source: U.S. Census Bureau, HUD, May 24, 2022	



Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): "Mortgage applications decreased 1.2 percent . . . for the week ending May 20, 2022." MBA's Associate Vice President of Economic and Industry Forecasting Joel Kan said that "the 30-year fixed rate declined for the second straight week to 5.46 percent but remains well above what borrowers were used to over the past two years. . . . Currently, higher rates, low inventory, and high prices are keeping prospective buyers out of the market."

National Association of Realtors

Thursday, [Pending Home Sales](#): The Pending Home Sales Index (PHSI) "slid 3.9 percent to 99.3 in April. . . . An index of 100 is equal to the level of contract activity in 2001." NAR's chief economist, Lawrence Yun, said: "The escalating mortgage rates have bumped up the cost of purchasing a home by more than 25 percent from a year ago, while steeper home prices are adding another 15 percent to that figure. . . . Potential homebuyers are challenged [in this market] and thus may attempt to mitigate the rising cost of ownership by opting for a 5-year adjustable-rate mortgage or by widening their geographic search area to more affordable regions."