

Economic Update, May 6, 2022
Submitted by Kevin Vanzant

Summary: As expected, the Federal Reserve raised its benchmark interest rate by half a percentage point this week, the most aggressive step yet in its fight against inflation. Also on the inflation front there was some positive news in the jobs report this month, as average hourly earnings continued to grow, though slightly below estimates.

But inflationary concerns remain as the tight labor market continues to apply upward pressure on wages. Job postings in March hit 11.55 million for the month, a fresh record and up 205,000 from February, and quits totaled 4.54 million, an increase of 152,000 from the previous month as the so-called Great Resignation continued. And in April, nonfarm payrolls grew by 428,000, above the Dow Jones estimate of 400,000, another indication of a historically tight job market. At the same time, labor productivity, or nonfarm business employee output per hour, decreased at a 7.5 percent annual rate for the first quarter of 2022, its biggest drop [since](#) 1947, in part because of labor market conditions.

Manufacturing data for April shows a sector that is still expanding, but beginning to lose some momentum, as it hit its lowest level since July 2020 amid increasing supply-chain headwinds and price pressures. Manufacturing orders in the U.S. increased in March, however, beating expectations. Economic activity in the services sector remained strong in April as well, but did come in slightly below its March levels.

Initial claims for state unemployment benefits rose 19,000 last week to a seasonally adjusted 200,000, the [highest](#) since mid-February, and total mortgage application volume rose 2.5 percent last week, boosted by a brief calm in the midst of rising interest rates.

Federal Government Indicators and Reports:

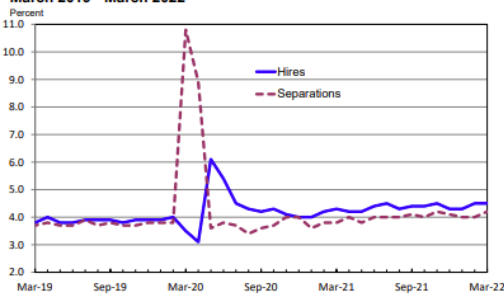
Bureau of Labor Statistics

Tuesday, [Job Openings and Labor Turnover \(JOLTS\)](#): “The number of job openings was at a series high of 11.5 million on the last business day of March, although little changed over the month.”

Chart 1. Job openings rate, seasonally adjusted, March 2019 - March 2022



Chart 2. Hires and total separations rates, seasonally adjusted, March 2019 - March 2022



Thursday, [Productivity and Costs](#): “Nonfarm business sector labor productivity decreased 7.5 percent in the first quarter of 2022 . . . as output decreased 2.4 percent and hours worked increased 5.5 percent. This is the largest decline in quarterly productivity since the third quarter of 1947, when the measure decreased 11.7 percent. . . . Unit labor costs in the nonfarm business sector increased 11.6 percent in the first quarter of 2022, reflecting a 3.2-percent increase in hourly compensation and a 7.5-percent decrease in productivity.”

Chart 1. Labor productivity, nonfarm business, 2018Q1 – 2022Q1

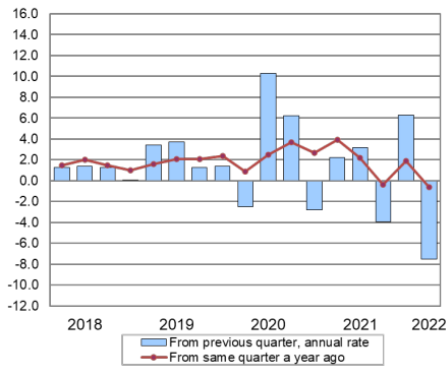
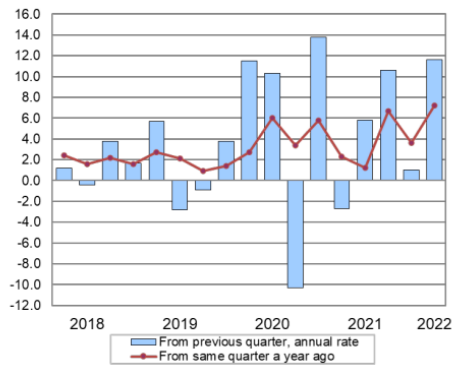


Chart 2. Unit labor costs, nonfarm business, 2018Q1 – 2022Q1



Friday, [Jobs Report](#): “Total nonfarm payroll employment increased by 428,000 in April, and the unemployment rate was unchanged at 3.6 percent. . . . Job growth was widespread, led by gains in leisure and hospitality, in manufacturing, and in transportation and warehousing.”

Chart 1. Unemployment rate, seasonally adjusted, April 2019 – April 2022

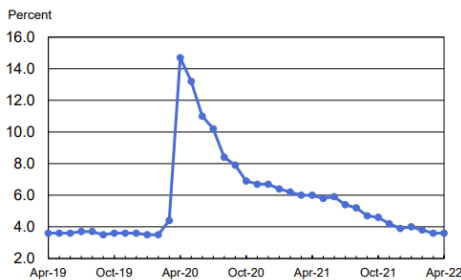
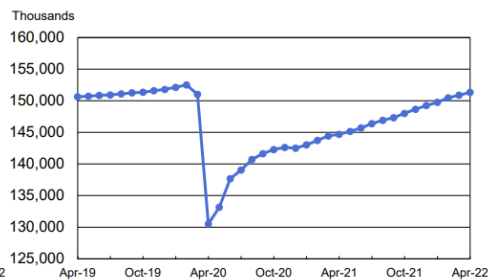


Chart 2. Nonfarm payroll employment, seasonally adjusted, April 2019 – April 2022



Federal Reserve

Wednesday, [Federal Funds Rate](#): “The Committee decided to raise the target range for the federal funds rate to 3/4 to 1 percent and anticipates that ongoing increases in the target range will be appropriate. In addition, the Committee decided to begin reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities on June 1.”

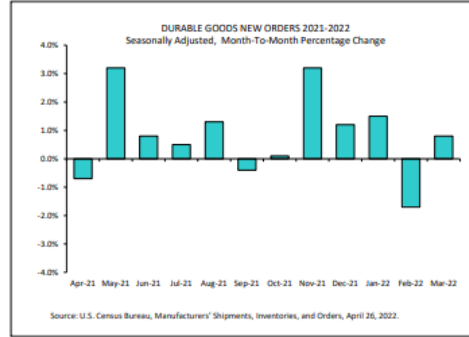
Department of Labor

Thursday, [Initial Jobless Claims](#): “In the week ending April 30, the advance figure for seasonally adjusted initial claims was 200,000, an increase of 19,000 from the previous week’s revised level. . . . The advance seasonally adjusted insured unemployment rate was 1.0 percent for the week ending April 23, unchanged from the previous week’s unrevised rate.”

Census Bureau

Thursday, [Durable Goods – New Orders](#): “New orders for manufactured durable goods in March increased \$2.3 billion or 0.8 percent to \$275.0 billion. This increase, up five of the last six months, followed a 1.7 percent February decrease.”

DURABLE GOODS – NEW ORDERS		
MARCH 2022	\$275.0 billion	+0.8%*
FEBRUARY 2022 (revised)	\$272.7 billion	-1.7%*
Next release: May 25, 2022		
<small>Data adjusted for seasonal variation but not for price changes. *Statistical significance is not measurable for this survey. The Manufacturers' Shipments, Inventories, and Orders estimates are not based on a probability sample, so the sampling error of these estimates cannot be measured nor can the confidence intervals be computed. Source: U.S. Census Bureau, Manufacturers' Shipments, Inventories and Orders, April 26, 2022.</small>		



U.S. Bureau of Economic Analysis

Wednesday, [Balance of Trade](#): “The goods and services deficit was \$109.8 billion in March, up \$20.0 billion from \$89.8 billion in February.”

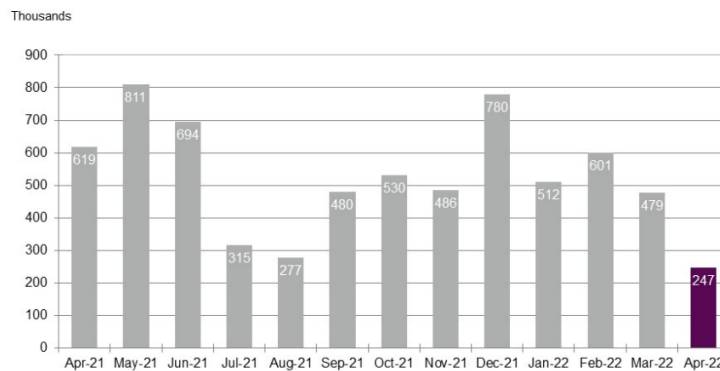


Economic Indicators and Confidence:

ADP

Wednesday, [Private Sector Employment Change](#): “Private sector employment increased by 247,000 jobs from March to April.”

Chart 1. Change in Total Nonfarm Private Employment



Institute for Supply Management

Monday, [Manufacturing Purchasing Managers' Index](#): “The April Manufacturing PMI registered 55.4 percent, a decrease of 1.7 percentage points from the March reading of 57.1 percent. This figure indicates expansion in the overall economy for the 23rd month in a row after a contraction in April and May 2020. This is the lowest reading since July 2020 (53.9 percent). . . . The U.S. manufacturing sector remains in a demand-driven, supply chain-constrained environment. In April, progress slowed in solving labor shortage problems at all tiers of the supply chain. Panelists reported higher rates of quits compared to previous months, with fewer panelists reporting improvement in meeting head-count targets. April saw a slight easing of prices expansion, but instability in global energy markets continues.”

Wednesday, [Services PMI](#): “Economic activity in the services sector grew in April for the 23rd month in a row—with the Services PMI registering 57.1 percent.” Anthony Nieves, chair of the Institute of Supply Management Services Business Survey Committee, noted that “growth continues for the services sector, which has expanded for all but two of the last 147 months. There was a pullback in the composite index, mostly due to the restricted labor pool and the slowing of new orders growth. Business activity remains strong; however, high inflation, capacity constraints and logistical challenges are impediments, and the Russia-Ukraine war continues to affect material costs, most notably of fuel and chemicals.”

Mortgages and Housing Markets

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 2.5 percent from one week earlier.”