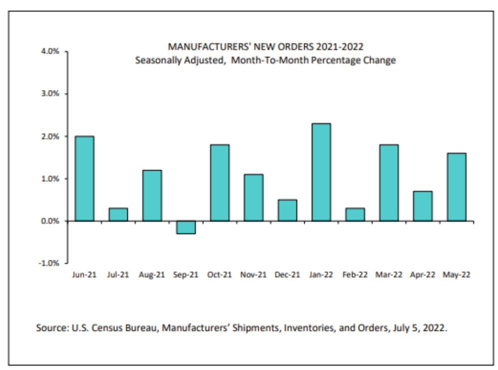
Economic Update, July 8, 2022
Submitted by Kevin Vanzant

Summary: In the minutes from its June meeting released this week, the Federal Reserve's commitment to fighting inflation through interest rate hikes, even if it means slowing the economy and risking a recession, remains clear. This dynamic has created a "good news, bad news" environment for economic data, where signs of strength in the economy appear alongside a higher probability that the Federal Reserve will have to continue to raise interest rates to slow down inflation. On whether the economy is currently expanding or contracting, the data from this week was mixed. Job growth, for instance, accelerated at a much faster pace than expected in June, adding 372,000 in the month and indicating that a main pillar of the U.S. economy remains strong. New orders for U.S.-manufactured goods also rose 1.6 percent in May, more than expected, in a sign that demand for products also remains robust. Other indicators from this week showed less resilience, however. The Institute for Supply Management's Purchasing Managers' Index for services indicated growth for the 25th straight month but was at its lowest since May 2020. Job openings, while still far outnumbering the number of people looking for work, also fell sharply in May, and the number of Americans filing for first-time unemployment benefits continued to tick upward last week as well, rising at a faster pace than economists were expecting. The Atlanta Fed's GDPNow measure, which tracks all of these different data points in real time and adjusts continuously, is currently projecting a 1.9 percent contraction in the second quarter, which if correct and coupled with the first-quarter's decline of 1.6 percent, would put the U.S. economy in recession.

Federal Government Indicators and Reports:

Census Bureau

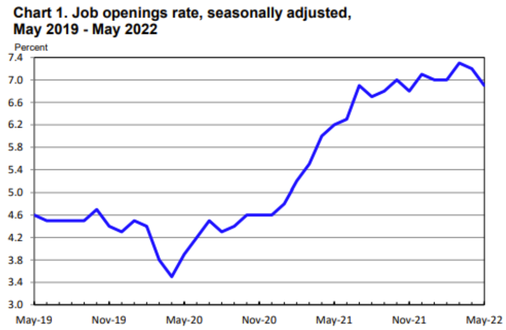
Tuesday, Factory Orders: "New orders for manufactured goods in May, up twelve of the last thirteen months, increased \$8.4 billion or 1.6 percent to \$543.4 billion. This followed a 0.7 percent April increase."

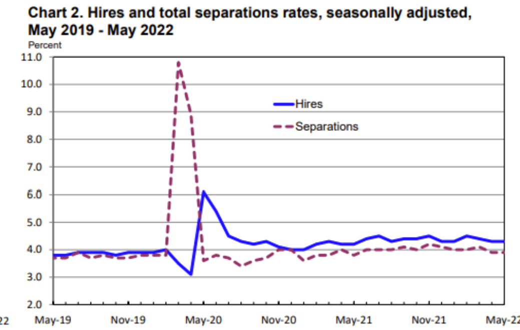


Bureau of Labor Statistics

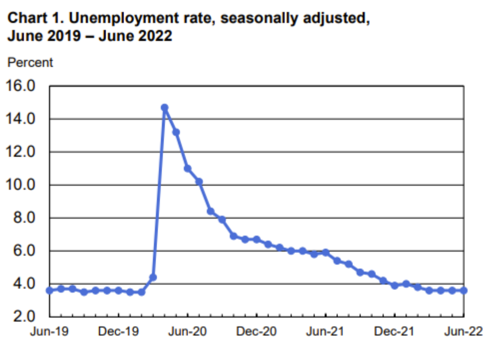
Wednesday, Job Openings and Labor Turnover (JOLTs): "The number of job openings decreased to 11.3 million on the last business day of May. . . . Hires and total separations were little changed at 6.5

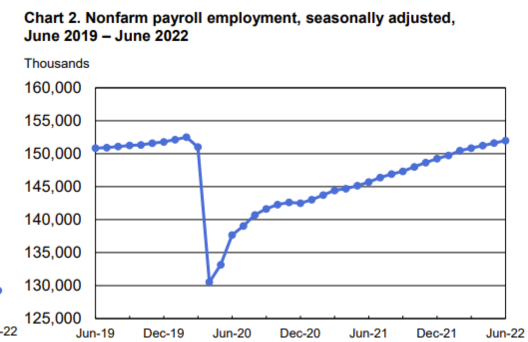
million and 6.0 million, respectively. Within separations, quits (4.3 million) and layoffs and discharges (1.4 million) were little changed."





Friday, [Nonfarm Payrolls](#): "Total nonfarm payroll employment rose by 372,000 in June, and the unemployment rate remained at 3.6 percent. . . . Notable job gains occurred in professional and business services, leisure and hospitality, and health care."





Federal Open Market Committee

Wednesday, [Minutes from June 14-15 Meeting](#): "In discussing potential policy actions at upcoming meetings, participants continued to anticipate that ongoing increases in the target range for the federal funds rate would be appropriate to achieve the Committee's objectives. In particular, participants judged that an increase of 50 or 75 basis points would likely be appropriate at the next meeting. . . . Participants recognized that policy firming could slow the pace of economic growth for a time, but they saw the return of inflation to 2 percent as critical to achieving maximum employment on a sustained basis."

Bureau of Economic Analysis

Thursday, [Balance of Trade](#): "The goods and services deficit was $85.5 billion in May, down $1.1 billion from $86.7 billion in April, revised."

U.S. International Trade in Goods and Services Deficit

Deficit:	$85.5 Billion	−1.3%°
Exports:	$255.9 Billion	+1.2%°
Imports:	$341.4 Billion	+0.6%°

Next release: Thursday, August 4, 2022

(°) Statistical significance is not applicable or not measurable. Data adjusted for seasonality but not price changes

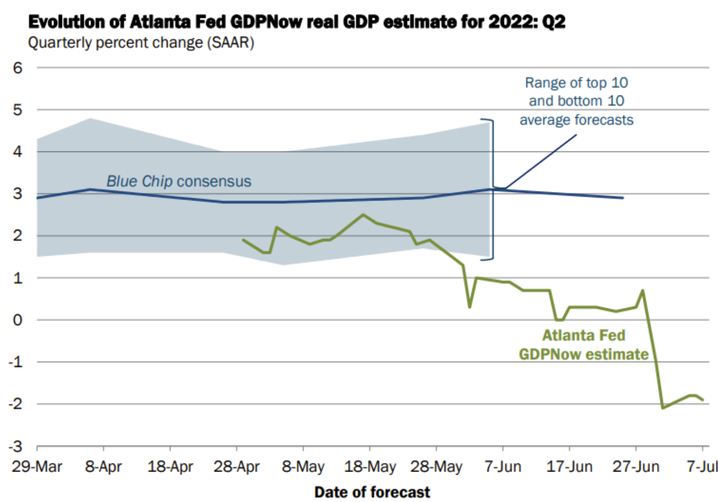
Source: U.S. Census Bureau, U.S. Bureau of Economic Analysis; U.S. International Trade in Goods and Services, July 7, 2022

Department of Labor

Thursday, Unemployment Insurance Weekly Claims: "In the week ending July 2, the advance figure for seasonally adjusted initial claims was 235,000, an increase of 4,000 from the previous week's unrevised level. . . . The advance seasonally adjusted insured unemployment rate was 1.0 percent for the week ending June 25, an increase of 0.1 percentage point from the previous week's unrevised rate."

Federal Reserve Bank of Atlanta

Thursday, GDPNow Tracker: The GDPNow model, which provides a running estimate for real GDP growth, had a reading of -1.9 percent for the second quarter of 2022 as of July 7, a modest increase from -2.1 percent on July 1.



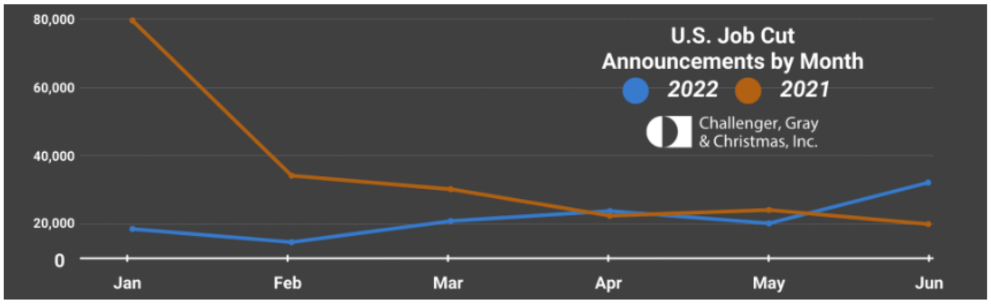
Economic Indicators and Confidence:

Institute for Supply Management

Wednesday, Services Purchasing Managers' Index: The index registered at 55.3 percent, indicating "growth for the 25th consecutive month after a two-month contraction in April and May 2020. Growth continues—albeit slower—for the services sector, which has expanded for all but two of the last 149 months."

Challenger, Gray, and Christmas, Inc.

Thursday, Job Cuts: "U.S.-based employers announced 32,517 cuts in June, a 58.8 percent increase from . . . the same month last year. It is 57 percent higher than the 20,712 cuts announced in May. . . . June marks the highest monthly total since February 2021, when 34,531 cuts were announced. It is the second time this year that cuts were higher in 2022 than the corresponding month a year earlier."



Mortgages and Housing Markets

Mortgage Bankers Association

Wednesday, Mortgage Applications: "Mortgage applications decreased 5.4 percent for the week ending July 1, 2022." MBA's Associate Vice President of Economic and Industry Forecasting Joel Kan said that mortgage rates had "decreased for the second week in a row, as growing concerns over an economic slowdown and increased recessionary risks kept Treasury yields lower. Mortgage rates have increased sharply thus far in 2022 but have fallen 24 basis points over the past two weeks, with the 30-year fixed rate at 5.74 percent. . . . Purchase activity is hamstrung by ongoing affordability challenges and low inventory, and homeowners still have reduced incentive to apply for a refinance."