

Economic Update, August 5, 2022
Submitted by Michael Mount

Summary: The economic news was mostly good this week. The jobs report was better than expected, with the unemployment rate and nonfarm payroll employment both improving and reaching pre-pandemic levels. New orders for nondefense capital goods, excluding aircraft (a closely watched proxy for business spending), increased 0.7 percent in June. Growth in services accelerated while manufacturing growth slowed slightly. Initial claims for unemployment insurance continued to edge up from a low in the spring.

Federal Government Indicators and Reports

U.S. Census

Monday, [Construction Spending](#): “Construction spending during June 2022 was estimated at a seasonally adjusted annual rate of \$1,762.3 billion, 1.1 percent below the revised May estimate of \$1,781.9 billion. The June figure is 8.3 percent above the June 2021 estimate of \$1,628.0 billion.”

Wednesday, [Factory Orders](#): “New orders for manufactured goods in June, up thirteen of the last fourteen months, increased \$10.8 billion or 2.0 percent to \$555.2 billion. . . . This followed a 1.8 percent May increase.” New orders for nondefense capital goods, excluding aircraft, increased 0.7 percent.

Thursday, [International Trade](#): “The goods and services deficit was \$79.6 billion in June, down \$5.3 billion from \$84.9 billion in May.” Exports increased \$4.3 billion while imports decreased \$1.0 billion.

Bureau of Labor Statistics

Tuesday, [Job Openings and Labor Turnover](#): “The number of job openings decreased to 10.7 million on the last business day of June. . . . Hires and total separations were little changed at 6.4 million and 5.9 million, respectively.”

Friday, [Employment Situation](#): “Total nonfarm payroll employment rose by 528,000 in July, and the unemployment rate edged down to 3.5 percent. . . . Job growth was widespread, led by gains in leisure and hospitality, professional and business services, and health care. Both total nonfarm employment and the unemployment rate have returned to their February 2020 pre-pandemic levels.”

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

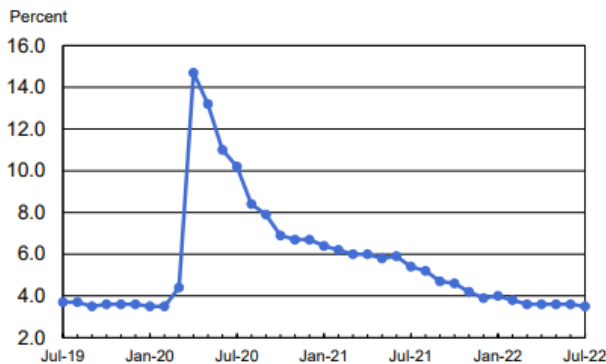
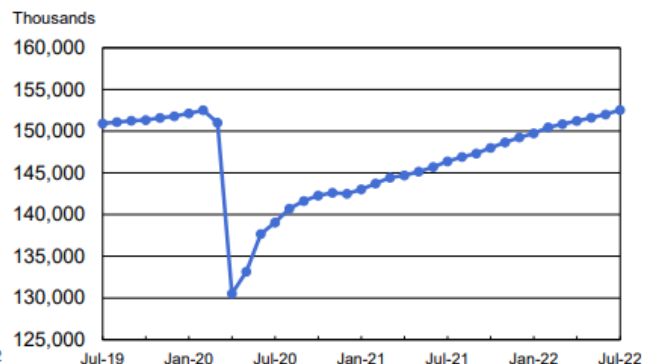
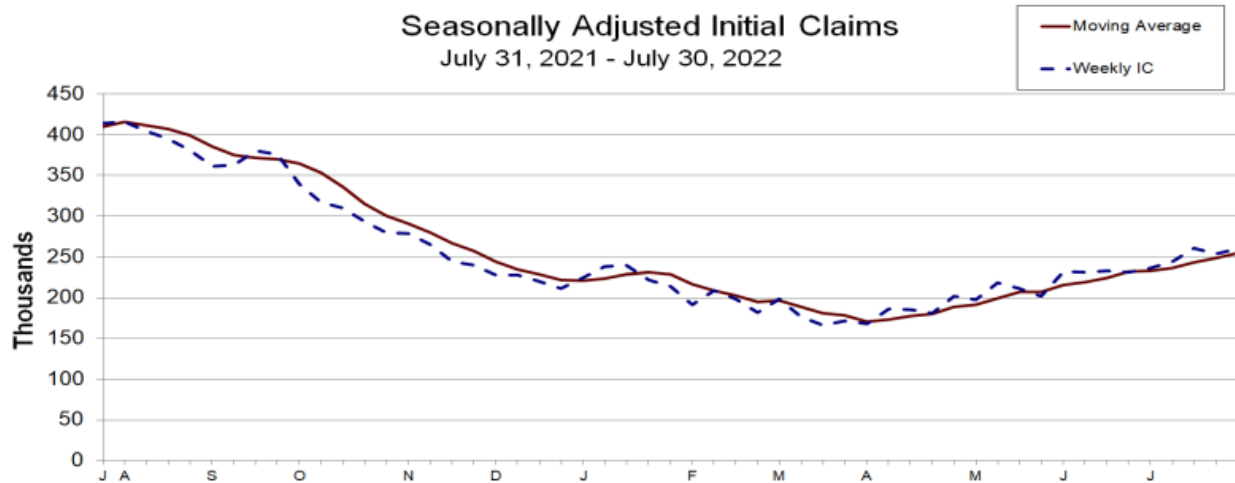


Chart 2. Nonfarm payroll employment, seasonally adjusted, July 2019 – July 2022



Department of Labor

Thursday, [Initial Claims](#): “In the week ending July 30, the advance figure for . . . initial claims was 260,000, an increase of 6,000 from the previous week's revised level.”



Economic Indicators and Confidence

Institute for Supply Management

Monday, [Manufacturing Purchasing Managers' Index](#): The index “registered 52.8 percent, down 0.2 percentage point from the reading of 53 percent in June. . . . The U.S. manufacturing sector continues expanding—though slightly less so in July—as new order rates continue to contract, supplier deliveries improve and prices soften to acceptable levels. . . . Challenges with turnover (quits and retirements) and resulting backfilling continue to plague efforts to adequately staff organizations.”

Wednesday, [Services PMI](#): The index “registered 56.7 percent, 1.4 percentage points higher than June’s reading of 55.3 percent. . . . The slight increase in services sector growth was due to an increase in business activity and new orders. . . . Availability issues with overland trucking, a restricted labor pool, various material shortages and inflation continue to be impediments for the services sector.”

Council of Supply Chain Management Professionals

Wednesday, [Logistics Manager’s Index](#): The index “reads in at 60.7 in July, down (-4.3) from June’s reading of 65.0. This is the lowest reading since May of 2020 and the second consecutive reading below the all-time index average of 65.3. While this does still represent a healthy rate of expansion in the logistics industry, it is a far cry from March when the index hit an all-time high reading of 76.2.”

Mortgages and Housing Markets

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 1.2 percent from one week earlier.” Joel Kan, MBA’s associate vice president of economic and industry forecasting, said, “Lower mortgage rates, combined with signs of more inventory coming to the market, could lead to a rebound in purchase activity.”