

Economic Update, December 16, 2022

Submitted by Bob Moreo

Summary: Inflation was less than expected in November, [CNBC's Jeff Cox reports](#), and the 12-month increase "was tied for the lowest since November 2021." However, there hasn't been enough improvement to stop the Federal Reserve Board from raising its key rate for the seventh time this year. Although the half-point increase was smaller than previous three-quarter-point hikes, the [Associated Press reports](#) that rates are at their highest level in 15 years, and Fed Chair Jerome Powell indicated that further rate hikes will be necessary to keep inflation under control. Retail sales fell more than expected in November, "likely payback," [says Reuters' Lucia Mutikani](#), "after sales surged in October as Americans started their holiday shopping early to take advantage of discounts." Unemployment claims fell "unexpectedly" last week to 211,000; [according to Bloomberg](#), "economists anticipated 232,000." However, Robert Hughes of the American Institute for Economic Research [points to some concerning mixed signals](#). Hughes notes, "Job-cut announcements have increased for three consecutive months," and worries that continuing claims are on the rise. Mortgage rates continued to retreat from their late-October, early-November peak.

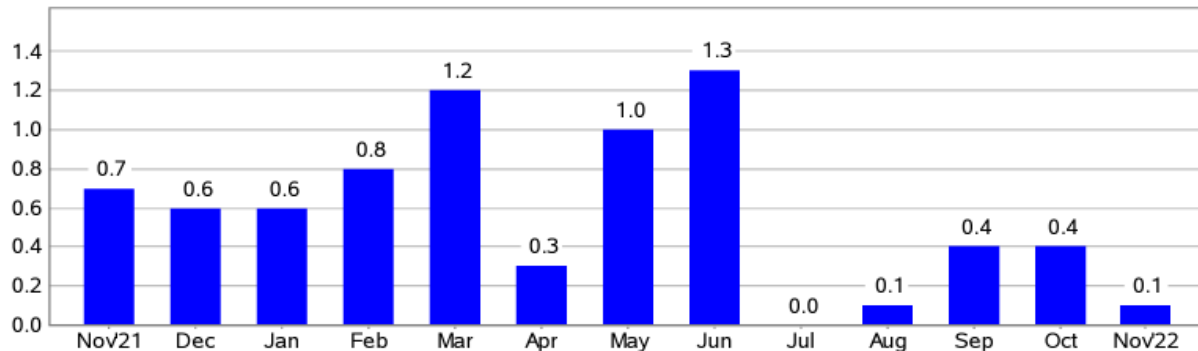
TACIR's partners at the Business and Economic Research Center at MTSU recently updated our [Tracking Tennessee's Economy dashboard](#). Dr. Murat Arik says, "Tennessee's economic indicators were mixed for October 2022, while employment by industry was primarily positive."

Federal Government Indicators and Reports:

Bureau of Labor Statistics

Tuesday, [Consumer Price Index](#): "The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.1 percent in November on a seasonally adjusted basis, after increasing 0.4 percent in October. . . . Over the last 12 months, the all items index increased 7.1 percent before seasonal adjustment. . . . The index for all items less food and energy rose 0.2 percent in November."

Chart 1. One-month percent change in CPI for All Urban Consumers (CPI-U), seasonally adjusted, Nov. 2021 - Nov. 2022
Percent change



Tuesday, [Real Earnings](#): "Real average hourly earnings for all employees increased 0.5 percent from October to November, seasonally adjusted. . . . Real average hourly earnings decreased 1.9 percent, seasonally adjusted, from November 2021 to November 2022."

Thursday, [State Job Openings and Labor Turnover](#): "Job openings rates decreased in 15 states and increased in 3 states on the last business day of October. . . . Hires rates decreased in 8 states and increased in 5 states. . . . Nationally, the job openings, hires, and total separations rates showed little or

no change in October.” Tennessee showed the largest increase in layoffs and discharges at approximately 24,000.

Friday, [State Employment and Unemployment](#): “Unemployment rates were higher in November in 12 states, lower in 3 states and the District of Columbia, and stable in 35 states. . . . Nonfarm payroll employment increased in 8 states and was essentially unchanged in 42 states and the District of Columbia in November 2022.”

Census Bureau

Wednesday, [Business Formation Statistics](#): “Business Applications for November 2022, adjusted for seasonal variation, . . . [decreased] 3.1 percent compared to October 2022. . . . Projected Business Formations (within 4 quarters) . . . [decreased] 2.4 percent.”

Thursday, [Advance Monthly Sales for Retail and Food Services](#): “Advance estimates of U.S. retail and food services sales for November 2022, [seasonally adjusted] . . . were \$689.4 billion, down 0.6 percent from the previous month, but up 6.5 percent above November 2021. Total sales for the September 2022 through November 2022 period were up 7.7 percent from the same period a year ago.”

Thursday, [Manufacturing and Trade Inventories and Sales](#): “The combined value of distributive trade sales and manufacturers’ shipments for October, [seasonally adjusted] . . . was estimated at \$1,859.5 billion, up 0.8 percent from September 2022 and was up 10.1 percent from October 2021.

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending December 10, the advance figure for seasonally adjusted initial claims was 211,000, a decrease of 20,000 from the previous week’s revised level. The previous week’s level was revised up by 1,000 from 230,000 to 231,000.” Initial claims in Tennessee were 2,261, down 421 from the previous week.

Federal Reserve Board

Wednesday, [Federal Open Market Committee](#): “Recent indicators point to modest growth in spending and production. Job gains have been robust in recent months, and the unemployment rate has remained low. Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher food and energy prices, and broader price pressures. . . . The Committee decided to raise the target range for the federal funds rate to 4-1/4 to 4-1/2 percent. The Committee anticipates that ongoing increases in the target range will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time.”

Thursday, [Industrial Production and Capacity Utilization](#): “Industrial production declined 0.2 percent in November. . . . At 104.5 percent of its 2017 average, total industrial production in November was 2.5 percent above its year-earlier reading. Capacity utilization moved down 0.2 percentage point in November to 79.7 percent, a rate that is 0.1 percentage point above its long-run (1972–2021) average.”

Federal Reserve Bank of Atlanta

Wednesday, [Business Inflation Expectations](#): “Firms’ year-ahead inflation expectations decreased significantly to 3.1 percent, on average,” in the December 2022 survey.

Surveys and Confidence:

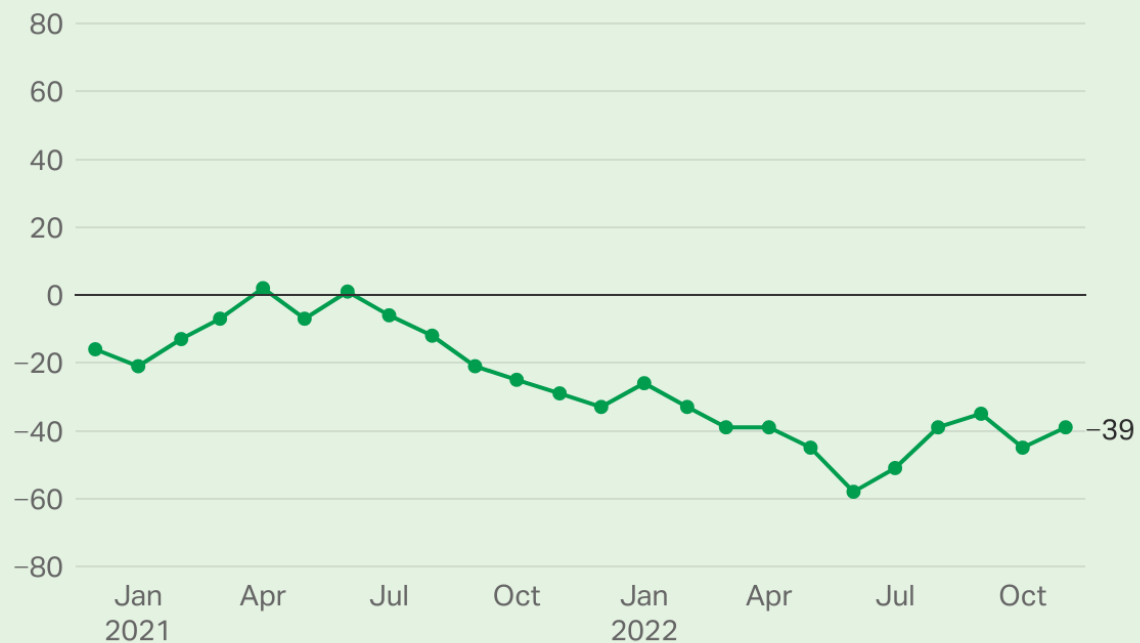
Federal Reserve Bank of New York

Monday, [Survey of Consumer Expectations](#): The November 2022 survey “shows that inflation expectations decreased in November at the short, medium, and longer terms. Home price growth expectations continued to decline. Labor market expectations strengthened, while household income growth expectations increased to a new series high.”

Gallup

Monday, [Economic Confidence Index](#): “Americans’ assessments of the U.S. economy improved slightly in November and early December but remain decidedly negative. Gallup’s Economic Confidence Index increased from -45 in October to -39 in the latest survey. . . . Currently, 15 percent of Americans rate economic conditions as either excellent or good, while 46 percent say they are poor. The remaining 40 percent of Americans describe the economy as being in ‘only fair’ shape.”

Gallup's Economic Confidence Index, Recent Trend



Gallup's Economic Confidence Index is an average of Americans' net ratings of current economic conditions (% Excellent/Good minus % Poor) and outlook for the economy (% Getting better minus % Getting worse). It has a theoretical range of +100 to -100.

GALLUP

National Federation of Independent Business

Tuesday, [Small Business Optimism Index](#): “Inflation remains the top business problem for small business owners, with 32 percent of owners reporting it as their single most important problem in

operating their business. . . . The Small Business Optimism Index rose 0.6 points in November to 91.9. . . . Overall, capital spending remains too weak to improve productivity. . . . Inventories are starting to build, but only modestly.”

Mortgages and Housing Markets:

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “[The] 30-year fixed-rate mortgage averaged 6.31 percent as of December 15, 2022, down from last week when it averaged 6.33 percent. A year ago at this time, the 30-year FRM averaged 3.12 percent.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications increased 3.2 percent from one week earlier, according to data . . . for the week ending December 9, 2022. . . . The unadjusted Purchase Index decreased 1 percent compared with the previous week and was 38 percent lower than the same week one year ago.”

National Association of Realtors

Thursday, [Housing Affordability Index](#): “Compared to the prior month, the monthly mortgage payment increased by 7.3 percent while the median family income increased by 0.9 percent, making home buying less affordable in October. The monthly mortgage payment increased by \$139 from last month.”

