

Economic data tracker

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Week 15 – April 15, 2022

Trend watch and what's new this week

On the COVID-19 front, U.S. infections are rising once again (slide 6). New cases in three of the four regions (Midwest, South, and Northeast) are now rising on a week over week basis. This is the result of the Omicron BA.2 variant, which is currently more than 85% of confirmed cases in the U.S. (slide 7).

More importantly, the percentage of inpatient beds occupied by COVID-19 patients is just 1.95%, the lowest level since March 2020. Additionally, the death rate continues to decline (slide 6).

Incoming activity-based data remains strong (slides 5 and 8). Air passengers for the past week hit 15.0 million (slide 5). That's -9.1% below the same week in April '19 but is 55% above the same week last year (slide 8). Hotel trends also strengthened. But dining reservations slipped slightly WoW, though could be due to spring break and the upcoming holiday weekend.

A flurry of inflation data was released this week. On slide 9, we show the trends for energy, food, and housing, which are three of the biggest components of consumer inflation. On slide 10, we show core inflation trends, which exclude the volatile food and energy components. By that measure, the monthly pace of inflation appears to be stabilizing somewhat.

On slide 11, we update lumber prices, which are down more than 25% from '21, as demand ebbs and production continues to grow. Still, lumber prices have swung wildly in the past two years.

Monthly retail sales were also reported. On slide 12, we show an indexed view comparing the pandemic recession and current recovery to the prior two occurrences. It clearly shows that retail sales continue to cruise higher as most consumers shrug off inflation concerns.

On slide 13, we updated consumer sentiment, which seems to corroborate the notion that inflation concerns are waning for most consumers.

On slide 14, we show apartment rental trends. While supply remains tight (based on the vacancy rate), rents have been cooling for the past two quarters compared to the red-hot '21, which saw effective rents jump an astonishing 12.7% year over year. This softening has also occurred in other apartment rental data.

Lastly, we explore wage growth trends on slide 15. Data from the Federal Reserve Bank of Atlanta's wage tracker shows that low-skill job jumpers are seeing the biggest wage gains. In fact, wage growth for low-skill workers has outpaced high-skilled workers for an unprecedented 13-month stretch. Aside from a 5-month span in 2010 when high-skill wages plunged, wages for low-skill workers haven't grown faster in 25 years.

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Economic Commentary – Our take and the bottom line

Our take

The week over week increase in new infections due the Omicron BA.2 variant is disappointing. Frankly, most Americans are “over” COVID-19 and are largely resuming activities, albeit with some adjustments and precautions.

However, we are encouraged by the trend that severe cases (hospitalizations and deaths) remain contained. While we fully expect both to also increase (since they lag new cases by about 7-10 days), we don’t expect a surge in severe cases in a pattern similar to December ’21/January ’22.

Inflation remains a headwind for the U.S. economy. While headline consumer inflation rose 8.5% year-over-year (YoY), slightly missing expectations, the internals show some promise that inflation may be heading lower. For instance, used vehicle prices dropped 3.8%, the second straight monthly decline. And the pace of shelter was flattish (actually ticked down 0.51% month-over-month (MoM) from 0.52% in February). Within that, primary shelter cooled MoM but hotels were rose 3.7% MoM. In other words, this is a reopening story, not a runaway inflation story.

More importantly, core consumer inflation rose 0.3% MoM in March, cooler than the 0.5% pace in February-22. It rose to 6.5% YoY, which only 0.1 hotter than 6.4% in February-22.

We continue to strenuously pushback on recession calls for the coming 12 months. Notable evidence supporting our view includes the aforementioned solid retail sales, along with strong trends for incoming

activity-based data (slide 5), such as air travelers, hotel occupancy, freight, etc. Again, while we fully acknowledge that recession risks have risen, the overwhelming weight of the evidence is on the side of “no recession.”

That said, we expect hotter inflation readings will linger for longer, especially due to higher energy prices. U.S. crude oil prices—at about \$107 per barrel yesterday and mercifully not trading today due to Good Friday—remain volatile. Natural gas prices have also been erratic, hitting a 14-year high as supplies fell to a 3-year low.

We also caution against the misplaced notion currently making the rounds that the Federal Reserve (Fed) wants to cause a recession to tame inflation by hiking interest rates in half-point increments at every rate-setting meeting. While the Fed is laser focused on curbing inflation, we believe the Fed is aware of the risks of overtightening interest rates, which, by the way, is a long way off. However, we are also mindful of the old adage that, “every time the Fed taps the brakes, someone goes through the windshield.”

Bottom line

There will be bumps in the path forward. We reiterate our view that the risk of a U.S. recession within the next year remains low but acknowledge that the risk has increased from very low odds just a few months ago. Perhaps folks should keep their seatbelts fasten in case we experience any unexpected turbulence.

Econ-at-a-Glance

	Economic indicator	Trend	Last	Next – consensus	Comments
Overall	Gross domestic product (GDP)	▲	4Q F: 6.9%	1Q A: 1.0%	It handily beat the consensus expectation of 5.5% and was dramatically faster than the 2.3% pace in 3Q21. The rebuilding of business inventories was the key driver, along with consumers.
	Unemployment rate ^x	▲	Mar: 3.6%	Apr: 3.6%	Just 0.1 below Feb. '20, hard to argue U.S. isn't at full employment.
Jobs	Monthly jobs (nonfarm)	▲	Mar: 431K	Apr: N/A	6-month average is 600K shows resilience and labor market strength.
	Weekly jobless claims ⁺	▲	4/9: 185K	4/16: N/A	Bumped up after hitting the lowest level since 1968 in the prior week.
	Nonfarm productivity	▲	4Q F: 6.6%	1Q P: N/A	Big jump following -5% in 4Q21, while unit labor costs rose 0.9%.
Interest rates	Federal funds rate	▲	0.25% – 0.50%	5/4: 0.75% – 1.00%	First rate hike was in March. Market expects aggressive 0.50% move in May. Fed still needs to announce when it will reduce bond holdings.
	10-year U.S. Treasury yield	▼	2.82%‡	Down	Up 0.4% in two weeks on concerns about inflation and an aggressive Fed rate hike response causing an eventual recession.
	10-year AAA GO muni yield	▼	2.48%‡	Up/flat	It a far-cry from where it ended 2021, which was 1.05%.
	30-year fixed mortgage rate	▼	5.06%‡	Up/flat	It's flattish since last week but remains at the highest level since 2010. Dramatically higher mortgage rates hurts housing affordability.
Inflation	Consumer prices (CPI) ^x	▼	Mar: 1.2%	Apr: N/A	Gasoline soared 18.3% MoM, accounting for half of the total MoM gain. CPI increased 8.5% YoY, the most since 1981.
	Core CPI	▼	Mar: 0.3%	Apr: N/A	Cooler than the consensus of 0.5%, and down from 0.5% in February.
	Producer prices (PPI)	▼	Mar: 1.4%	Apr: N/A	Up 11.2% YoY. Energy, up 5.7% MoM, has been a big driver.
	Core PPI	▼	Mar: 1.0%	Apr: N/A	The fastest pace in 8 months. Up 9.2% YoY.

▲ Good ▼ Bad ⇄ Neutral ⁺Leading indicator ^xLagging indicator [‡]Intraday quote Bloomberg consensus shown

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Econ-at-a-Glance

	Economic indicator	Trend	Last	Next – consensus	Comments
Housing	Existing home sales	↔	Feb: 6.02M	Mar: 5.80M	Fell 7.2% MoM and dropped 2.4% from a year ago.
	New home sales	▲	Feb: 772K	Mar: 775K	Fell 2.0% MoM as sales in the South and West fell.
	New housing starts ⁺	▲	Feb: 1.769M	Mar: 1.742M	Up 6.8% MoM thanks to single-family strong, up 5.7% MoM.
	New permits ⁺	▲	Feb: 1.865M	Mar: 1.830M	Fell 1.6% MoM, snapping a 4-month streak as both multi- and single-family declined during February.
Business	Durable goods orders ⁺	▲	Feb F: -2.1%	Mar P: 1.0%	Commercial aircraft dropped 30.4% MoM. Core capital goods orders (ex-air & defense) fell MoM, snapping an impressive 11-mos streak.
	ISM manufacturing	▲	Mar: 57.1	Apr: N/A	Slipped from strong February reading, but it is still expanding.
	ISM services/non-manufacturing	▲	Mar: 58.3	Apr: N/A	Snapped 3-mo decline and is now above pre-pandemic 3-year avg.
	Business inventories ^x	▲	Feb: 1.5%	Mar: N/A	Up MoM after the pace ebbed in January. Inventories were depleted by ongoing supply chain issues and transportation bottlenecks.
Consumer	Personal income	▲	Feb: 0.5%	Mar: 0.4%	Largest MoM rise in 3 months buoyed by wage & income growth.
	Personal spending	▲	Feb: 0.2%	Mar: 0.6%	Rose modestly MoM from upwardly revised Jan., and up 14% YoY.
	Advance retail sales	▲	Mar: 0.5%	Apr: N/A	Rose despite a 2% decline in auto sales. Overall retail sales hit yet another all-time high and are up 26% from January 2020.
	Consumer sentiment	▼	Apr P: 65.7	Apr F: 65.7	Bounced to a 3-month high after hitting a 10-year low last month.

▲ Good ▼ Bad ↔ Neutral ⁺Leading indicator ^xLagging indicator [‡]Intraday quote Bloomberg consensus shown

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U.S. activity-based data matrix

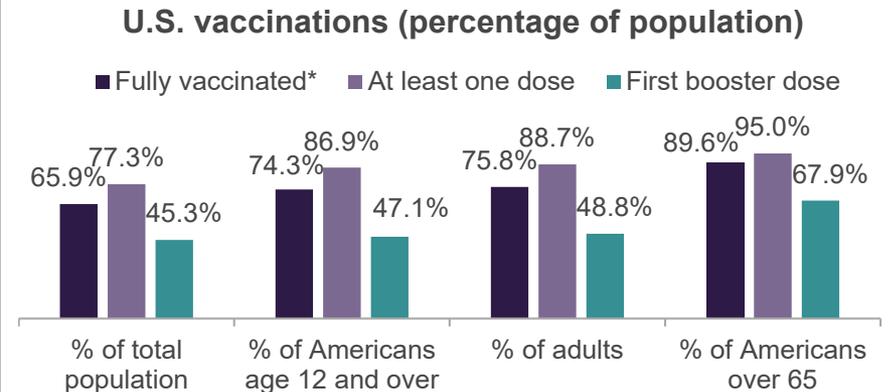
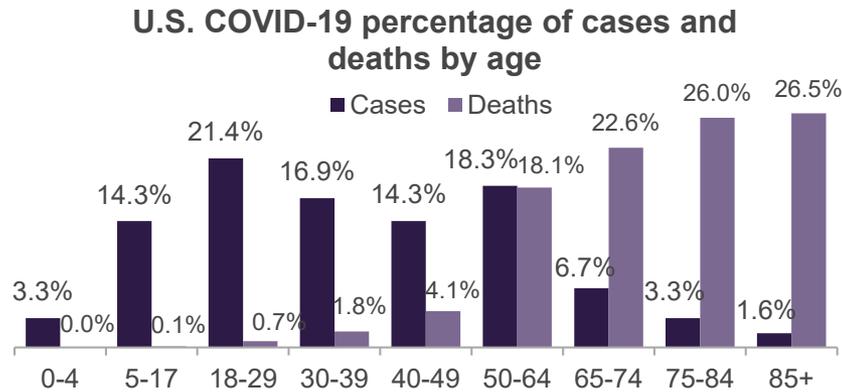
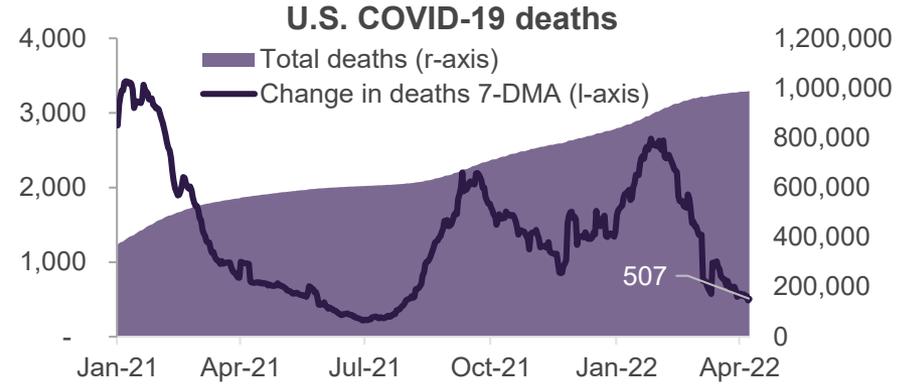
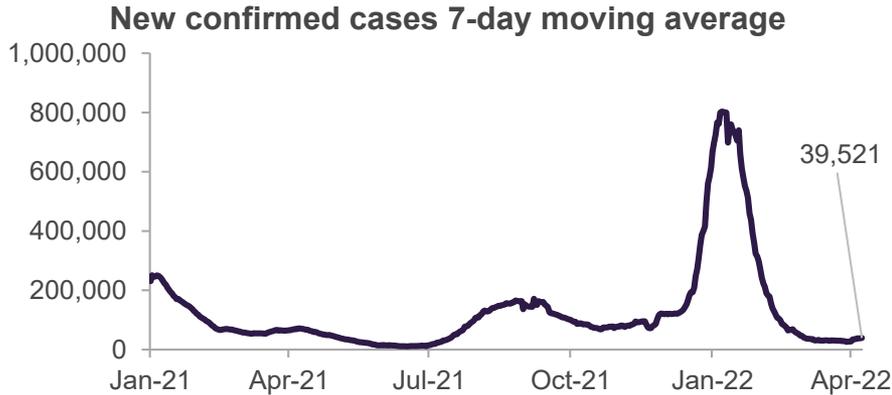
Indicator	Relative trend	What we're watching
Back to office	▼	Rose to 43.1 (pre-pandemic indexed to 100), a post-pandemic high. Top cities are Austin (63), Houston (56), and Dallas (51); bottom are San Francisco (34) and San Jose (30). While the trend has steadily improved, it remains less than half of pre-pandemic levels, which is not conducive for overall growth.
TSA air passenger throughput	▲	Weekly passengers jumped 2.9% WoW to 15.0 million, which was 6.8% below the 2019 weekly average of 16.1M. Passenger counts are -9.1% from the same week in April '19 but 55% above the same week in April '21.
OpenTable restaurant bookings	▲	Slipped to -2.3% compared to pre-pandemic levels from -1.7% the prior week. Top positive states were led by Nevada (+52%) and Rhode Island (+41%); bottom were New York (-33%) and Minnesota (-29%). Top cities were Las Vegas (+49%) and Austin (+41%); bottom were Minneapolis (-61%) and San Francisco (-51%).
Google mobility	▲	Parks remain elevated thanks to warmer spring weather. 7-day averages relative to 2020: Parks +18%, Residential +3%, Transit -22%, Grocery/Pharmacy -3%, Workplaces -17%, Retail/Restaurant/Recreation -8%.
Hotel occupancy	▲	Occupancy rose to 66.4%, above the pre-pandemic 5-year average. The average daily rate rose to \$150.45, up 10.6% from the same week in April '19, while revenue per available room rose to \$99.93, 5.4% above April '19.
Freight (rail/truck/ship)	▲	Container traffic at the top 2 U.S. ports (LA, Long Beach) jumped 10.1% in March and 28% YTD above March '19 YTD. Rail carloads in March rose 3.6% MoM. Truck loading rose 0.4% MoM in March to a new all-time high.
Staffing index	▲	Ebbd slightly to 105.4 from 105.6 in the prior week, which is likely related to the Easter holiday. It has only seen four WoW declines this year (14 weeks). The low for this cycle was 59.6 set in April 2020.
Apartment rental prices	↔	Rent index dropped to 0.688 in March from 1.23 in February. While prices are significantly above pre-pandemic levels, rents are down 2.4% during 2022 and fell 2.6% during the second half of 2021.

Trend relative to whether it is favorable for economic growth:

▲ Positive ▼ Negative ↔ Neutral / Mixed

Sources: Truist IAG, Bloomberg, Kastle Back to Work Barometer, Transportation Security Administration, OpenTable, Google COVID-19 Community Mobility Report, STR/CoStar, American Staffing Association, Zillow. Week-over-week and year-over-year change are abbreviated as WoW and YoY, respectively.

U.S. COVID-19 watch: new cases starting to rise, but hospitalizations and death rate still falling



Sources: Truist IAG and the following additional sources respectively: Top left and right, Bloomberg, Johns Hopkins University through April 14, 2022. Data for 50 U.S. states plus American Samoa, Washington D.C., Guam, Northern Mariana Islands, Puerto Rico, and U.S. Virgin Islands. 7-day moving average (DMA). Top left, bottom right: Centers for Disease Control & Prevention (CDC), through April 14, 2022. *Fully vaccinated is defined as receiving two doses on different days (regardless of time interval) of the two-dose mRNA series or receiving a single-dose vaccine regimen.

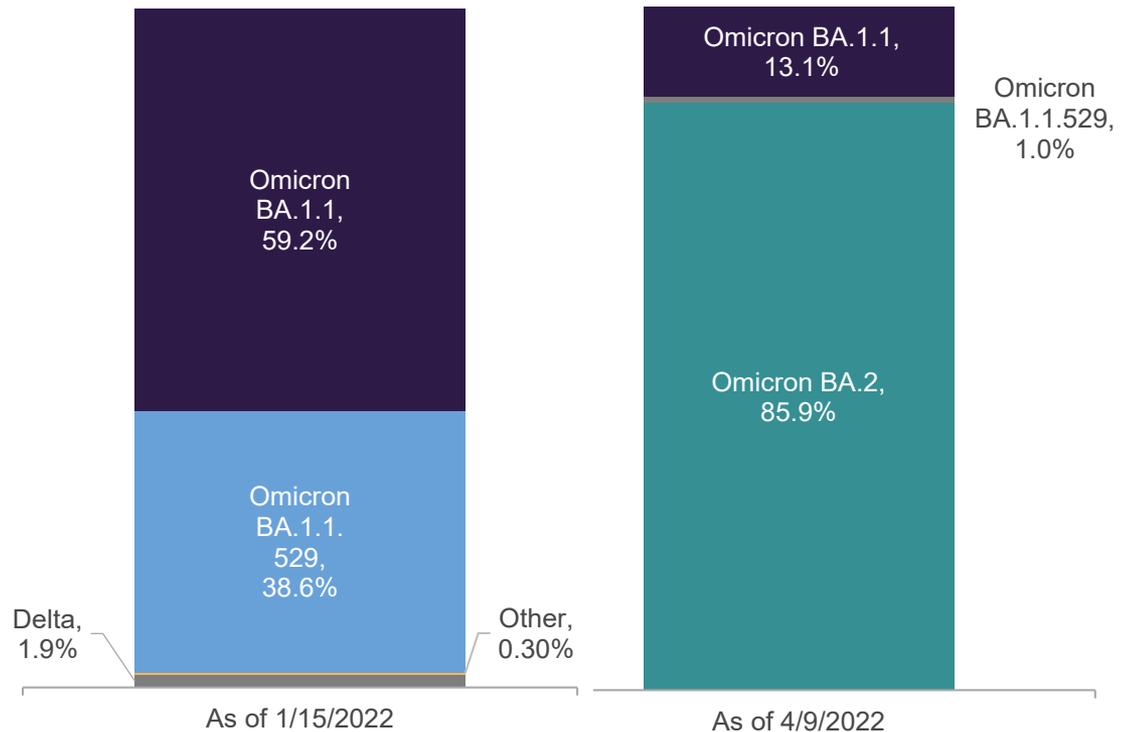
More than 85% of U.S. cases are Omicron BA.2 variant, but still less deadly

The Omicron BA.2 variant, which is currently the dominant strain in the U.S., is clearly more transmissible than prior strains.

However, much like the original Omicron variant (B.1.1.529), the BA.2 variant spreads faster, but doesn't appear to cause severe outcomes (hospitalizations and deaths) compared to prior omicron strains, according to health data in the U.K. and South Africa.

While new COVID-19 cases will likely increase from current levels, health care experts don't expect another surge in the U.S. because roughly 75% of Americans over 12 are fully vaccinated and large portion of the unvaccinated have already been infected by one or more of the prior strains.

U.S. cases by strain



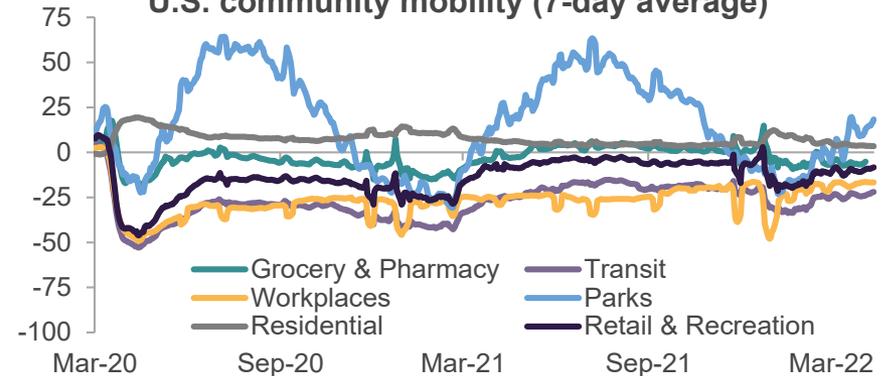
Sources: Truist IAG, Centers for Disease Control & Prevention (CDC). Left column data through January 15, 2021, right column data through April 9, 2022, utilizing CDC SARS-CoV-2 Lineages NOWCAST. Columns may not total 100% due to rounding.

Strong rebound in activity-based trends from early January slowdown

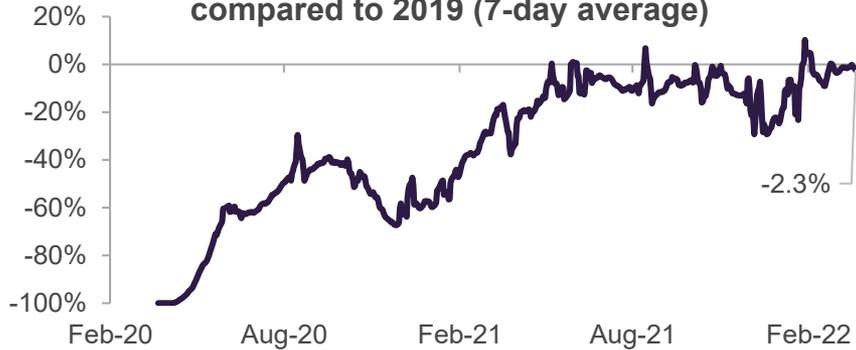
NY Fed weekly economic index



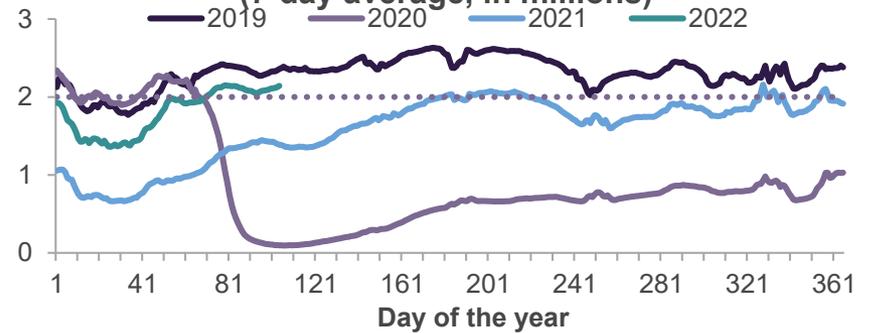
U.S. community mobility (7-day average)



OpenTable bookings % change compared to 2019 (7-day average)

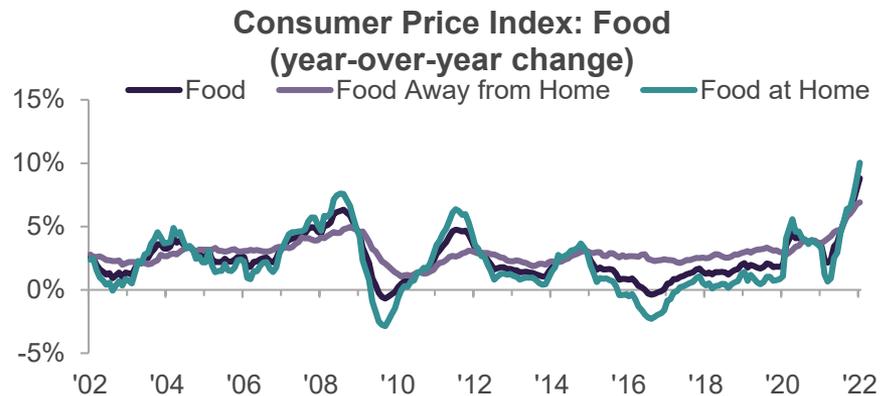
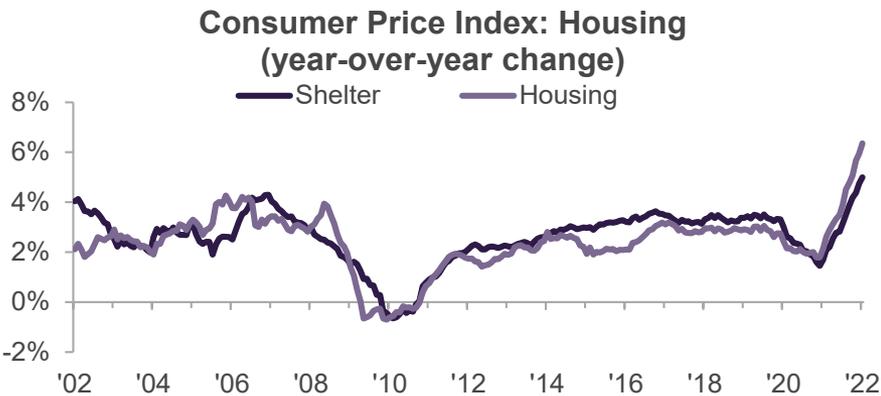
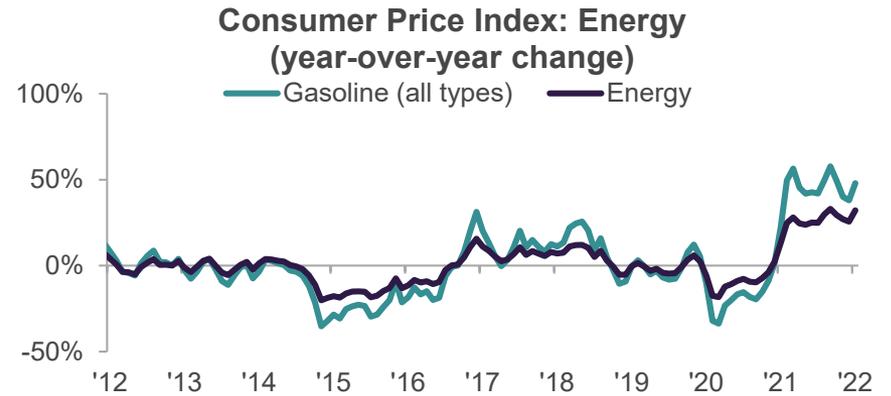
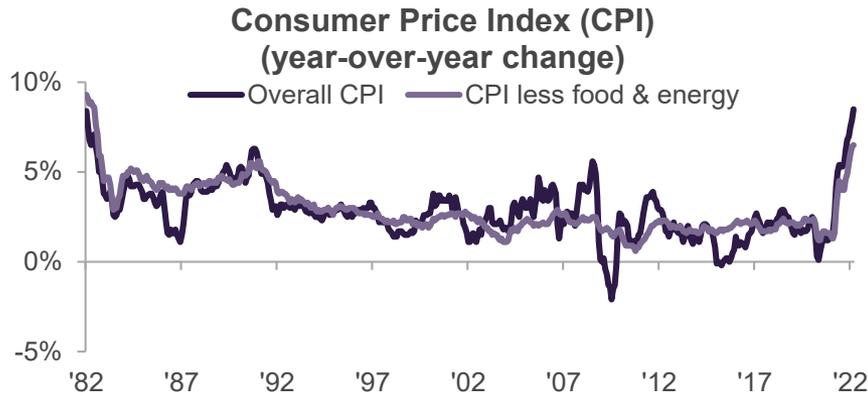


TSA checkpoint traveler throughput (7-day average, in millions)



Sources: Truist IAG and the following additional sources respectively: Top left: Bloomberg, NY Federal Reserve Weekly Economic Index through April 9, 2022. Top right: (U.S. Community Mobility) Google COVID-19 Community Mobility Reports 7-day average through April 12. Bottom left: Bloomberg, OpenTable 7-day average through April 14. Bottom right: Bloomberg, Transportation Security Administration (TSA) 7-day average through April 14.

Consumer inflation key components

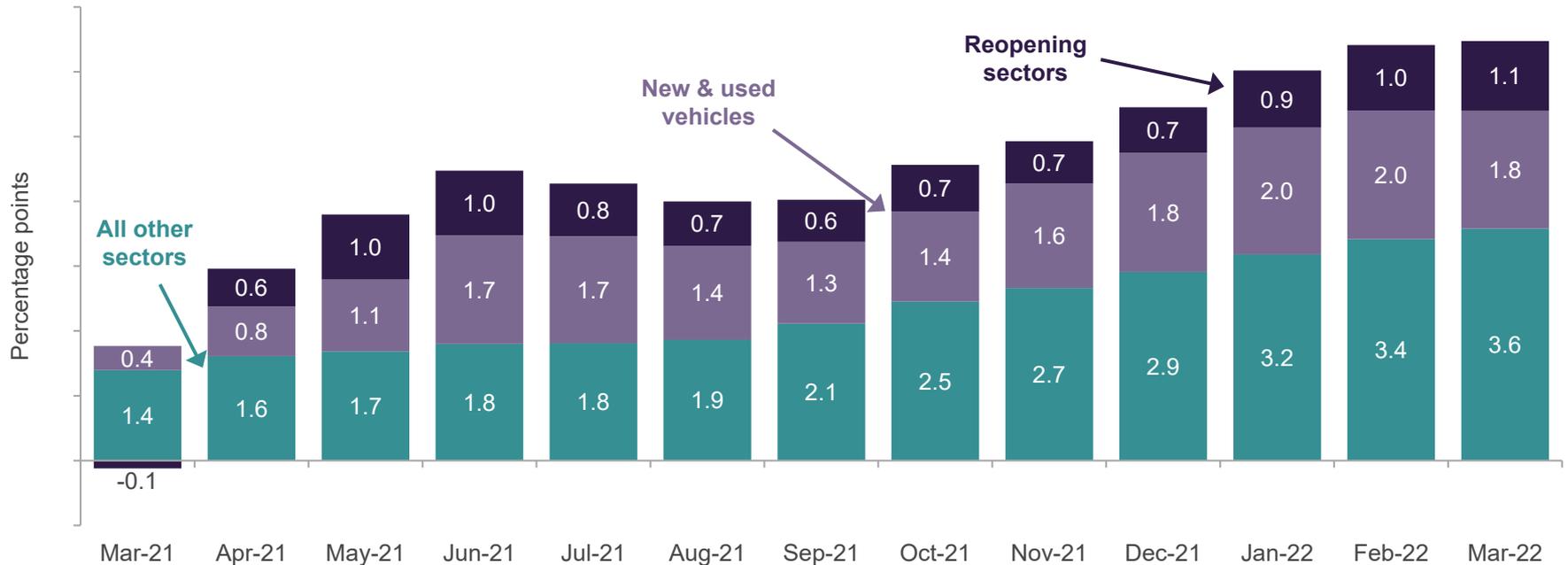


Sources: Truist IAG, Bloomberg, Bureau of Labor Statistics; monthly data through March 2022.

Core inflation is hotter, but monthly pace stabilizing

Core inflation, which excludes the volatile food & energy components, rose to 6.5% from a year ago or 0.1 hotter than the 6.4% pace in February. However, it rose 0.3% month over month—cooler than the consensus expectations of 0.5%—and down from 0.5% pace in February.

Contributors to core Consumer Price Index (year-over-year change)



Sources: Truist IAG, Bloomberg, Bureau of Labor Statistics; monthly data through March 2022. Core consumer price index excludes food and energy. Vehicles includes new vehicles, used cars and trucks. Reopening sectors includes transportation services, recreation services, recreation commodities, and apparel. All other components, includes shelter and medical care. Total may vary due to rounding.

Lumber prices falling, down more than 25% from '21, as demand ebbs and production continues to grow

Lumber prices continue to swing wildly, perplexing experts, angering consumers, and hammering contractors.

The price of lumber (based on future contracts) has fallen 40% from a month ago and is down 25% from April 2021. Demand has leveled off due in part to the higher prices, while the production has continued to rebound from depressed levels during 2020.

Still, the price has soared an eye-popping 155% compared to April 2019.

Lumber price (\$ per 110,000 board feet)

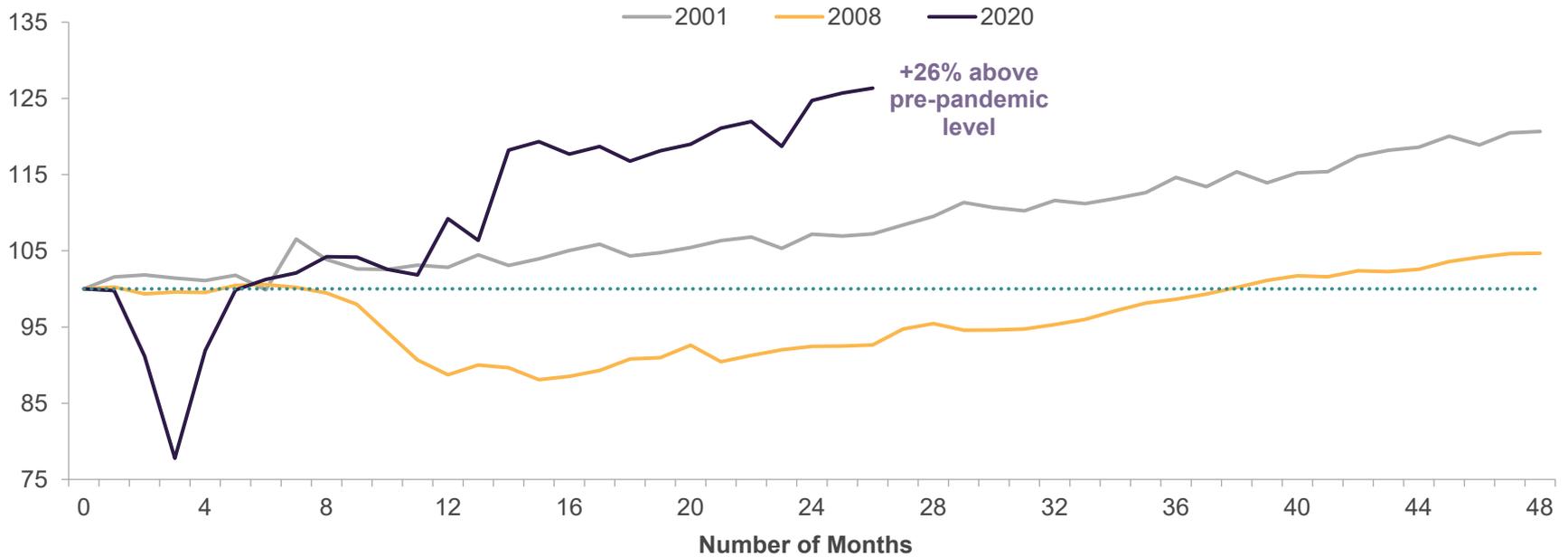


Sources: Truist IAG, Bloomberg, Chicago Mercantile Exchange; daily data through April 14, 2022. Random length futures contract for 110,000 board feet for lengths between 8' and 20' softwood 2 x 4s, the type used for rehabbing and construction.

Retail sales continue to cruise higher, shrugging off inflation concerns

Retail sales hit a fresh all-time high, up 0.5% during March – and that was despite a 2% decline in auto sales. Indeed, higher prices (aka inflation) are also a contributing factor. Gasoline sales jumped 8.9%. Excluding both autos and gasoline, retail sales rose 0.2% for the month. Nonetheless, total retail sales are up an eye-popping 26% compared to January 2020.

Retail sales comparison during recessions/recoveries



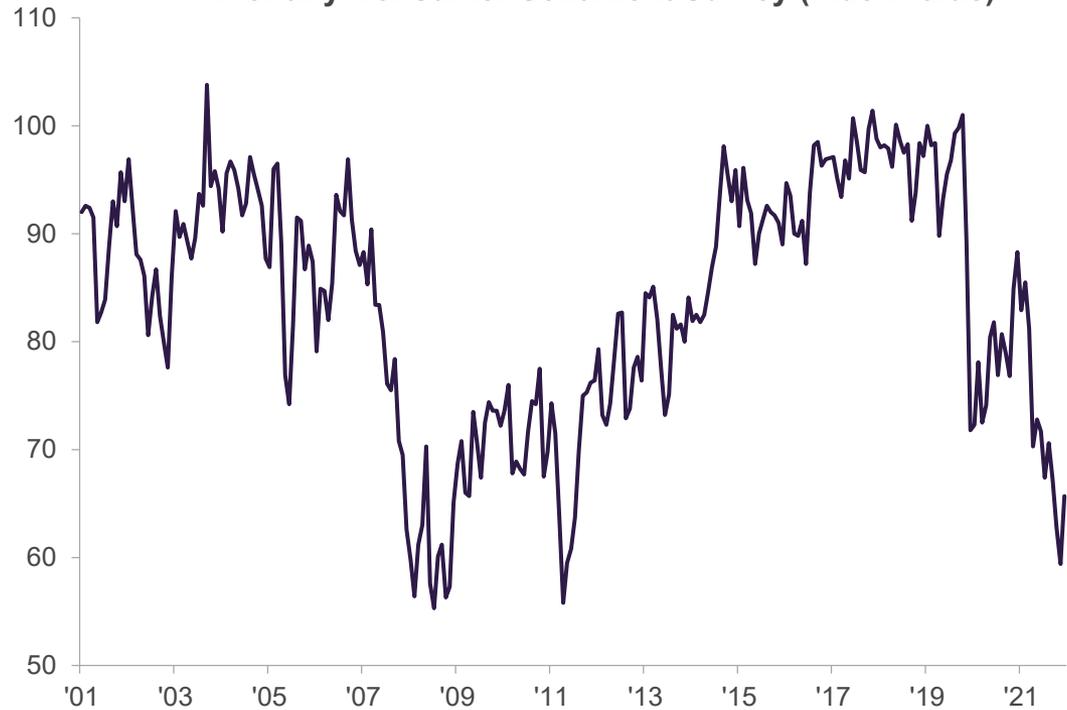
Sources: Truist IAG, Bloomberg, U.S. Census Bureau; monthly data through March 2022. Index constructed based on monthly retail and food service sales in nominal dollars.

Consumer sentiment jumped to 3-month high

Consumer sentiment, as measured by the University of Michigan Consumer Sentiment Survey, rebounded to a reading of 65.7 in April. That's the highest level in three months and snaps a three-month decline streak.

Inflation is still a concern, according to respondents, but rising wages and modestly lower gasoline prices helped brighten the mood. Additionally, long term inflation expectations within the survey held steady at 3.0% for the third straight month.

**University of Michigan
Monthly Consumer Sentiment Survey (index value)**

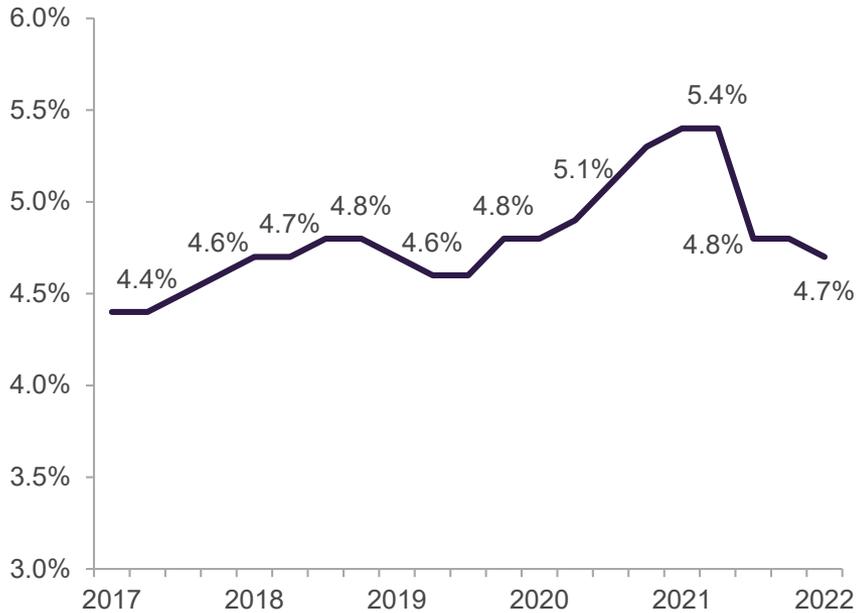


Sources: Truist IAG, Bloomberg, University of Michigan; monthly data through April 2022.

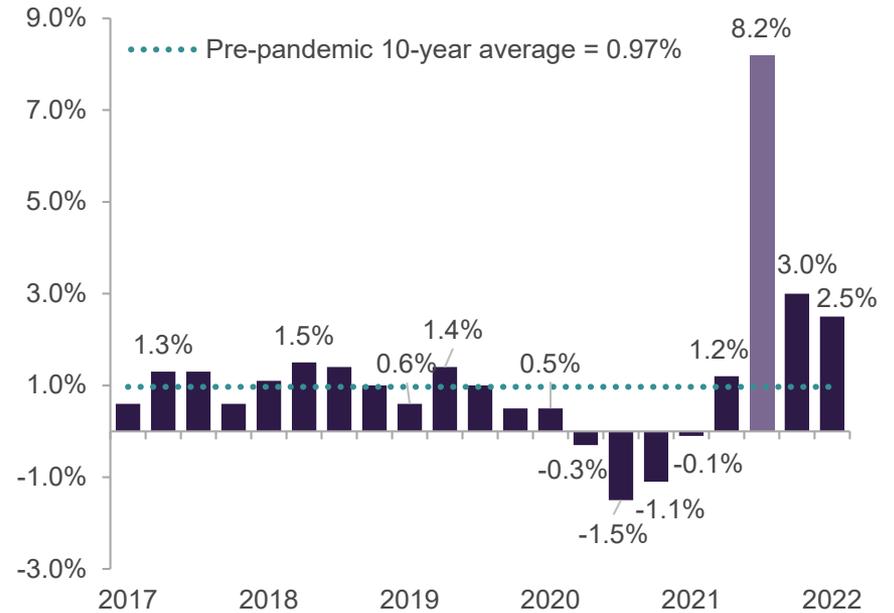
Apartment rental trends still tight, but rents now cooling from red-hot '21

Despite the lapse in federal moratorium on evictions, the vacancy rate quickly dropped from its pandemic-era peak of 5.4% in the first quarter of 2021 to 4.7% currently, which is in-line with the pre-pandemic rate. Meanwhile, headlines regarding skyrocketing rents appear to fixated on 2021, which saw effective rents jump an astonishing 12.7% year over year. However, rental growth rate in the first quarter of 2022 slipped to 2.5% quarter over quarter. Given its importance within key inflation gauges, this trend should help cool overall inflation going forward.

Apartment vacancy rate by quarter



Apartment rental growth by quarter

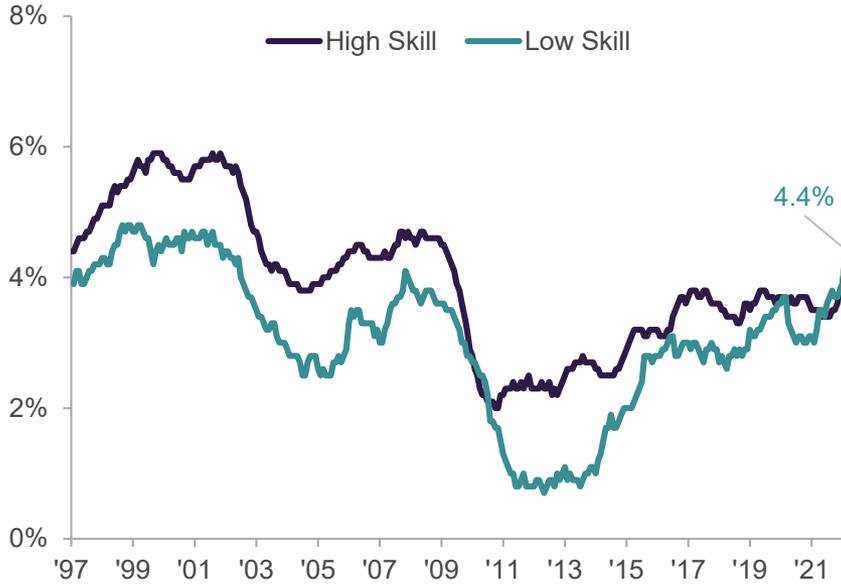


Sources: Truist IAG, Moody's Analytics CRE/REIS; quarterly data through 1Q2022.

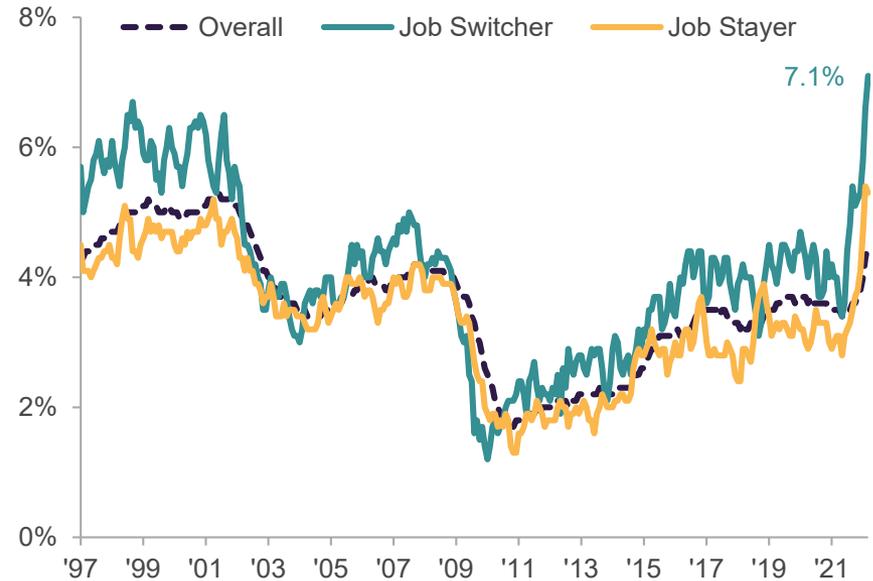
Low-skill job jumpers seeing the biggest wage gains

Wage growth for low-skill workers has outpaced high-skilled workers for an unprecedented 13-month stretch. Aside from a 5-month span in 2010 when high-skill wages plunged, wages for low-skill workers haven't grown faster in 25 years. Similarly, wages for job switchers are growing 7.1% from a year ago compared to 4.5% for all workers.

**U.S. wage growth tracker
(year over year change)**



**U.S. wage growth tracker
(year over year change)**



Sources: Truist IAG, Bloomberg, Federal Reserve Bank of Atlanta; monthly data through March 2022.

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CN2022-4681017.1 EXP04-2023



Wealth