

# Economic data tracker

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**Week 21 – May 27, 2022**

## Trend watch and what's new this week

Although the total number of new COVID-19 cases in the U.S. has increased (slide 6), the weekly pace has more than halved in past few weeks (slide 9). In fact, three of the four U.S. regions declined week-over-week, the exception being the West.

The rate of hospitalizations ebbed, but the percentage of COVID-19 patients continued to rise (slide 8). Meanwhile, the death rate has held steady in recent weeks (slide 6). We will continue to monitor it.

Most of the activity-based data (slides 5 and 7) continued to strengthen this past week. Temporary staffing rebounded. Within the travel-related data, hotel occupancy rose to the highest level since August 2021, weekly air passengers topped 15.6 million, while restaurant bookings flipped to positive compared to pre-pandemic levels.

### Deeper dive in the data – Key inflation gauge ebbed, business spending holding up, housing weak, not all sectors “over hired”

The Federal Reserves’ (Fed) favorite inflation gauge—the price index of core personal consumption expenditures—slipped for a second straight month (slide 10). Although elevated compared pre-pandemic levels, this bolsters our case that the easing inflation pressures could give the Fed enough cover to throttle back on rate hikes later in '22 and into '23.

On slide 11, we highlight new orders for core capital goods, which hit

fresh all-time high in April. These are new orders, which suggests that demand for business equipment remains solid despite inflation and higher interest rates.

On slides 12 and 13, we dig into the employment trends of retailers, which seem out-of-step with other sectors.

On slide 14, we highlight new home sales and prices. New home sales dropped for the fourth month in a row, yet prices continued to increase.

Lastly, we updated the container traffic data for the top 5 U.S. ports (slide 15), which dipped in April following a strong March.

## Our take

The downshift in new COVID-19 cases in the U.S. is notable. Interestingly, COVID-19 seems to have quietly slipped out of the spotlight, despite worries that the COVID-related shutdowns in China during April would reverberate in the U.S. and spend economic activity. That hasn't materialized.

Following weak first quarter earnings for two of the largest big box general merchandise retailers, the emerging narrative was that many companies were “over staffed” and that consumers were “tapped out.”

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# Economic Commentary – Our take and the bottom line

## Our take (continued)

While we don't dispute that those companies are struggling with staffing issues and cost pressures, we believe it's inappropriate to extrapolate their issues broadly across the economy. Indeed, they are two of the largest employers in the U.S. and if they begin laying off workers, it would be meaningful. However, it clearly appears that these big box general merchandise retailers continued to hire while the percentage of retail workers voluntarily quitting (the quit rate) was falling. Yet, other sectors, such as leisure & hospitality, are still 1.4 million workers shy compared to pre-pandemic levels.

Furthermore, consumers don't appear to be tapped out. Last week, we highlighted April retail sales, which hit a fresh all-time high. This week, we received the April personal income and spending figures (slide 4); both remained solid.

We believe that consumers are shifting their spending back towards services after two years of being skewed towards goods. Similarly, aforementioned rebound in travel-related spending within the activity-based data are also considered services. We expect this trend to accelerate further during the summer months.

Lastly, housing activity has pulled back dramatically. New home sales dropped for the fourth month in a row, which we attribute to sharply higher mortgage rates and higher prices. Additionally, pending home sales fell for the sixth straight month. Most other housing metrics have weakened considerably in the past four months. This is exactly what the Fed was

targeting with higher interest rates. However, cooling housing inflation won't be so easy, as evident by the continued increase in new home prices in April. That said, new home inventories began rising in April; thus, it may take a few more months before home prices soften. Also, crude oil prices have continued to climb, over \$115 per barrel at this time, and have seeped into food prices. Thus, the Fed's battle against inflation endures, raising interest rates to tame price pressures, though perhaps not as aggressively as market expect.

## Bottom line

**The U.S. will continue to struggle with inflation, yet the pressures appear to be abating, albeit modestly.** This is important insofar as it should allow the Fed to throttle down interest rate increases later in 2022 and into 2023. Accordingly, the widespread recession fears should wilt as temperatures warm and additional data proves the proof in the summer months.

# Econ-at-a-Glance

	Economic indicator	Trend	Last	Next – consensus	Comments
Overall	Gross domestic product (GDP)	▲	1Q P: -1.5%	1Q F: -1.5%	Revised downward by 0.1 from -1.4%. Inflation, imports, and inventories punched down real GDP in the first quarter.
	Unemployment rate <sup>x</sup>	▲	Apr: 3.6%	May: 3.5%	Held steady from March; hard to argue U.S. isn't at full employment.
Jobs	Monthly jobs (nonfarm)	▲	Apr: 428K	May: 325K	12th straight month with over 400,000, which is unprecedented.
	Weekly jobless claims <sup>+</sup>	▲	5/21: 210K	5/28: 210K	It dropped by 8,000 WoW, keeping it near a 50-year low.
	Nonfarm productivity	▲	1Q P: -7.5%	1Q F: -7.5%	Big decline as supply chain snags persist, and unit labor costs up big.
Interest rates	Federal funds rate	▲	0.75% – 1.00%	6/15: 1.25% – 1.50%	We expect another half-point rate hike on June 15. Fed's May meeting minutes suggest it won't be as aggressive if inflation eases.
	10-year U.S. Treasury yield	▼	2.71%‡	Flat/down	Rates continue to recoil as inflation readings moderate. But we expect rate volatility will likely continue for some time.
	10-year AAA GO muni yield	▼	2.54%‡	Flat/down	Very sharp decline in muni yields of nearly 0.50% in the past 10 days.
	30-year fixed mortgage rate	▼	5.29%‡	Flat	More than a quarter point lower in the past 2 weeks but remains near at the highest level since 2009. Higher rates hurt housing affordability.
Inflation	Consumer prices (CPI) <sup>x</sup>	▼	Apr: 0.3%	May: 0.7%	It was the smallest MoM rise in 8 months. Gasoline dropped 6.1% MoM. Still, CPI increased 8.6% YoY, the most since 1981.
	Core CPI	▼	Apr: 0.6%	May: 0.4%	Faster than the consensus of 0.4%, and up from 0.3% in March.
	Producer prices (PPI)	▼	Apr: 0.5%	May: N/A	Cooler MoM reading in 7 months. But jumped 11.0% YoY.
	Core PPI	▼	Apr: 0.4%	May: N/A	The coolest pace in 6 months. Up 8.8% YoY (was up 9.6% in March).

▲ Good ▼ Bad ⇄ Neutral <sup>+</sup>Leading indicator <sup>x</sup>Lagging indicator <sup>‡</sup>Intraday quote Bloomberg consensus shown

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# Econ-at-a-Glance

	Economic indicator	Trend	Last	Next – consensus	Comments
Housing	Existing home sales	↔	Apr: 5.61M	May: N/A	Fell 2.4% MoM, the third straight monthly decline.
	New home sales	▼	Apr: 591K	May: N/A	Big MoM drop of -16.6%, the fourth monthly decline, due to both higher prices and sharply higher mortgage rates.
	New housing starts <sup>+</sup>	↔	Apr: 1.724M	May: N/A	Fell 0.2% MoM; with downward revisions, down for second month.
	New permits <sup>+</sup>	↔	Apr: 1.832M	May: N/A	Down 3.0% MoM. Both single and multifamily were weak.
Business	Durable goods orders <sup>+</sup>	▲	Apr P: 0.4%	Apr F: 0.4%	Business equipment demand remained solid. Core capital goods orders (ex-air & defense) rose 0.3% MoM after very strong March.
	ISM manufacturing	▲	Apr: 55.4	May: 54.7	Fell sharply, but it's still expanding and above pre-pandemic average.
	ISM services/non-manufacturing	▲	Apr: 57.1	May: 56.5	It's roughly pulled back to the pre-pandemic 3-year average.
	Business inventories <sup>x</sup>	▲	Mar: 2.0%	Apr: N/A	The largest MoM increase in 3 month. Inventories were depleted by ongoing supply chain issues and transportation bottlenecks.
Consumer	Personal income	▲	Apr: 0.4%	May: N/A	Third straight strong month, buoyed by wage & income growth.
	Personal spending	▲	Apr: 0.9%	May: N/A	Fourth strong month in a row, which belies the widely-held narrative that inflation will smother spending.
	Advance retail sales	▲	Apr: 0.9%	May: N/A	Just hit a fresh all-time high and are up 33% from April 2019.
	Consumer sentiment	▼	May F: 58.4	Jun P: N/A	Inflation worries punched it down to an 11-year low in May.

▲ Good ▼ Bad ↔ Neutral <sup>+</sup>Leading indicator <sup>x</sup>Lagging indicator <sup>‡</sup>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	▼	Dipped modestly to 43.3 (pre-pandemic indexed to 100) from 43.4 in the prior week. Top cities are Austin (61), Houston (56), and Dallas (53); bottom are San Jose (33) and San Francisco (34). 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 rose 0.5% WoW to 15.6 million, just 3.3% below the 2019 weekly average of 16.1M. Passenger counts fell 9% from the same week in May '19 but are 32% above the same week in May '21.
OpenTable restaurant bookings	▲	Back to positive, up +0.5% compared to pre-pandemic levels. Top positive states were led by Connecticut (+54%) and Rhode Island (51%); bottom were Minnesota (-27%) and New York (-27%). Top cities were Ft. Lauderdale (+46%) and Las Vegas (+44%); bottom were Minneapolis (-57%) and San Francisco (-46%).
Google mobility	▲	Parks slipped to +35% from +40% during the prior week. 7-day averages relative to 2020: Residential +2%, Grocery/Pharmacy -1%, Transit -19%, Workplaces -18%, Retail/Restaurant/Recreation -7%.
Hotel occupancy	▲	Occupancy jumped to 68.6%, the highest since August 2021. The average daily rate rose to \$151.75, down 3.5% from the same week in May '19, while revenue per available room rose to \$104.06, up 9.5% from May '19.
Freight (rail/truck/ship)	▲	Rail carloads rose modestly WoW, the fourth rise in 5 weeks, and rose 1% for April. Truck loading fell 0.1% MoM in April, after touching the all-time high. Container traffic at the top 5 U.S. ports fell 5.1% in April.
Staffing index	▲	Rose to 105.9, matching the highest level since mid-December 2021, from the prior week reading of 105.7. The low for this cycle was 59.6 set in April 2020.
Apartment rental prices	↔	Rent index rose to 0.996 in April from 0.846 in March, but down from 1.23 in February. While prices are significantly above pre-pandemic levels, rental growth clearly peaked during the second half of 2021.

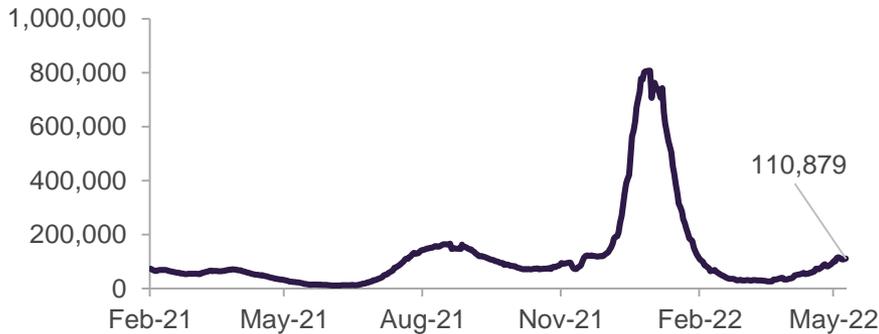
Trend relative to whether it is favorable for economic growth:

▲ Positive   ▼ Negative   ↔ Neutral / Mixed

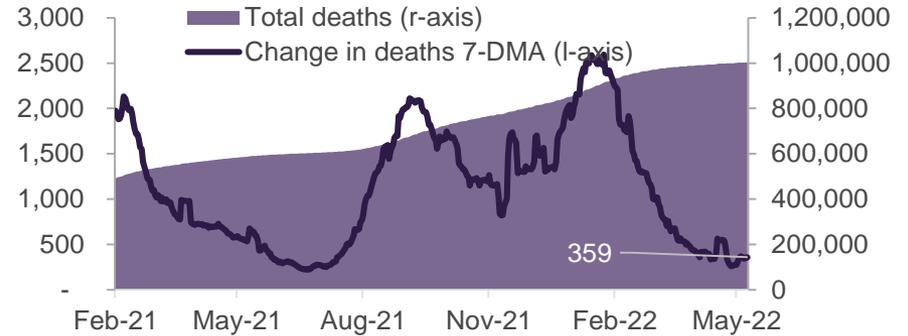
Sources: Truist IAG, Bloomberg, Kastle Back to Work Barometer, Transportation Security Administration, OpenTable, Google COVID-19 Community Mobility Report, STR/CoStar, American Staffing Association, Zillow. Week-over-week and year-over-year change are abbreviated as WoW and YoY, respectively.

# U.S. COVID-19 watch – New cases and hospitalizations modestly rising, but death rate remains steady

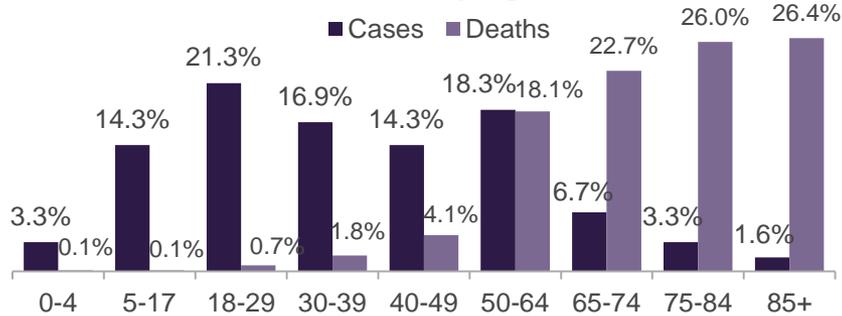
**New confirmed cases 7-day moving average**



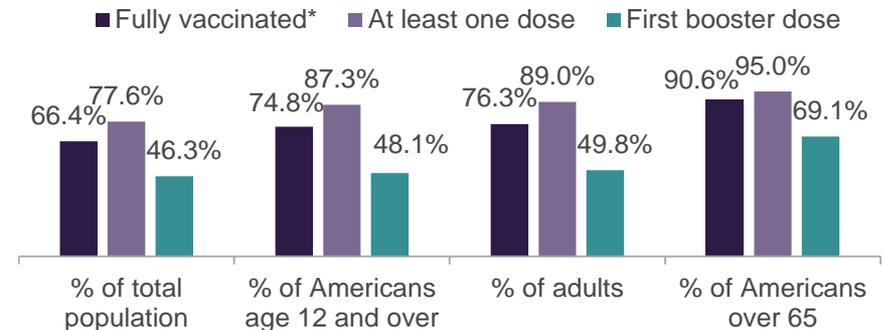
**U.S. COVID-19 deaths**



**U.S. COVID-19 percentage of cases and deaths by age**



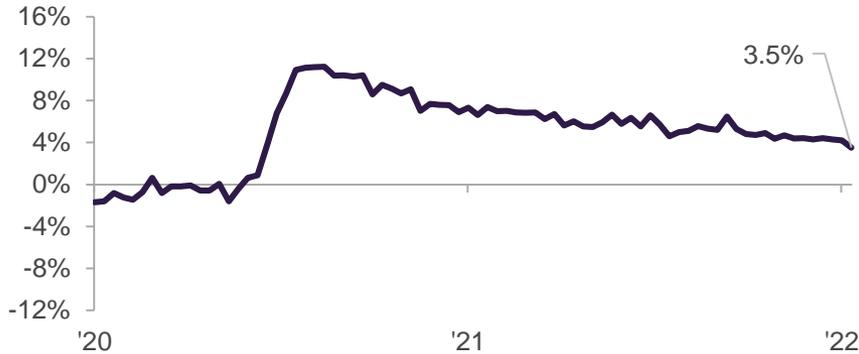
**U.S. vaccinations (percentage of population)**



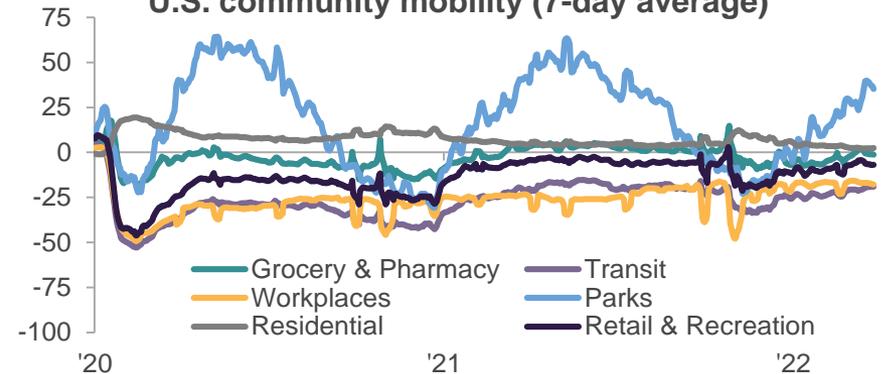
Sources: Truist IAG and the following additional sources respectively: Top left and right, Bloomberg, Johns Hopkins University through May 26, 2022. Data for 50 U.S. states plus American Samoa, Washington D.C., Guam, Northern Mariana Islands, Puerto Rico, and U.S. Virgin Islands. 7-day moving average (DMA). Top left, bottom right: Centers for Disease Control & Prevention (CDC), through May 19, 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.

# Activity-based trends remain solid following spring break season

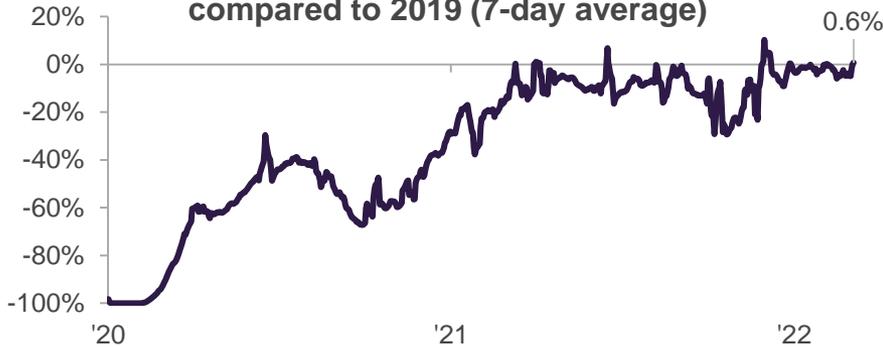
**NY Fed weekly economic index**



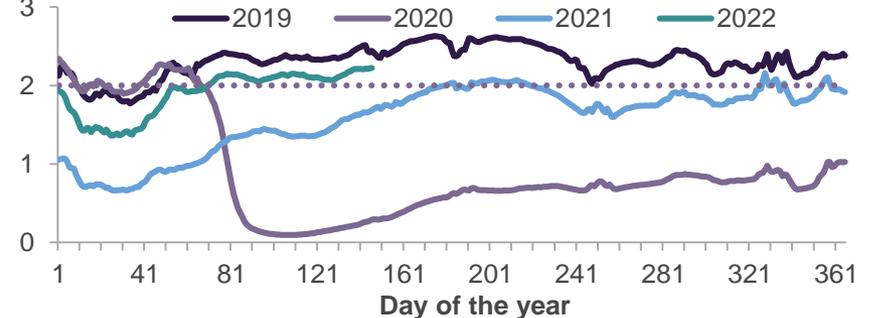
**U.S. community mobility (7-day average)**



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



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

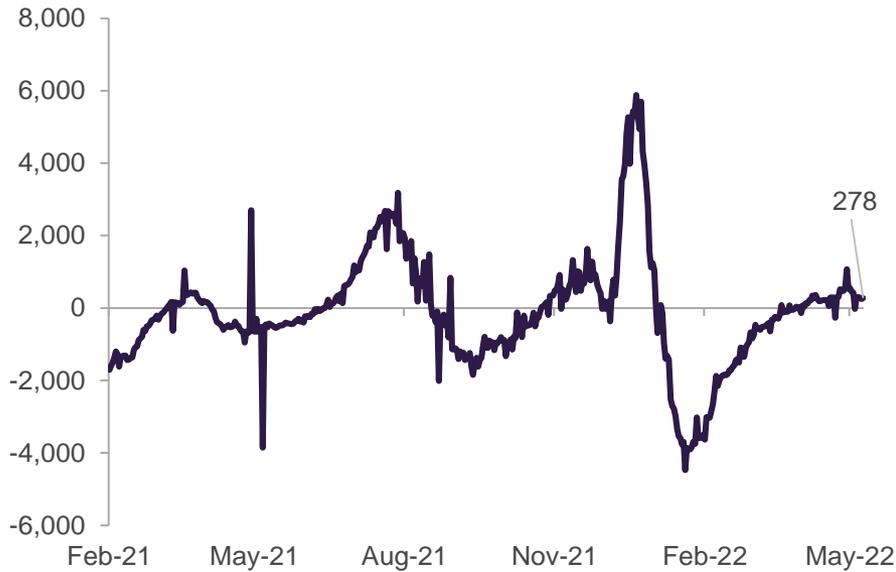


Sources: Truist IAG and the following additional sources respectively: Top left: Bloomberg, NY Federal Reserve Weekly Economic Index through May 21, 2022. Top right: (U.S. Community Mobility) Google COVID-19 Community Mobility Reports 7-day average through May 24. Bottom left: Bloomberg, OpenTable 7-day average through May 26. Bottom right: Bloomberg, Transportation Security Administration (TSA) 7-day average through May 26.

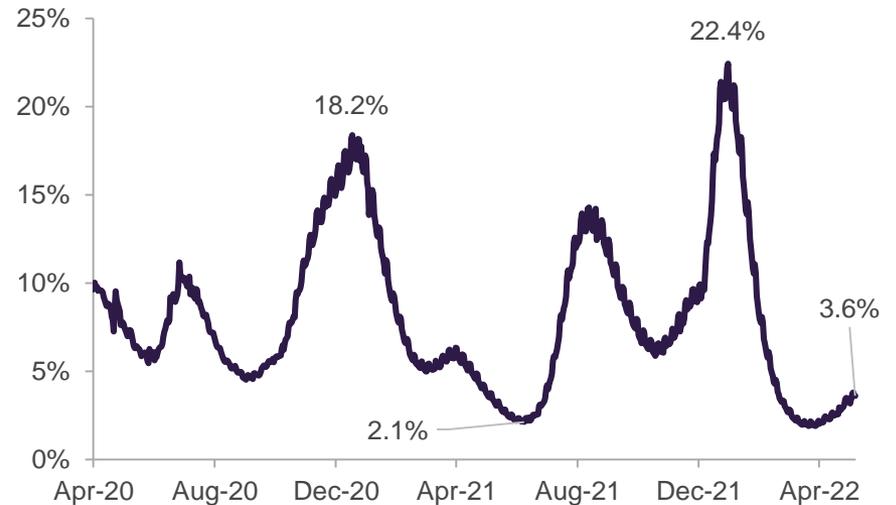
# U.S. hospitalizations slipping, but percentage of beds still climbing

The number of COVID-19 hospitalizations has slipped in the past week. Still, the percentage of COVID-19 patients continued to climb; however, this could simply be the result of fewer overall hospitalizations, which would boost the COVID-19 patients' percentage.

### Change in hospitalizations (7-DMA)



### U.S. percentage of hospital beds occupied by COVID-19 patients

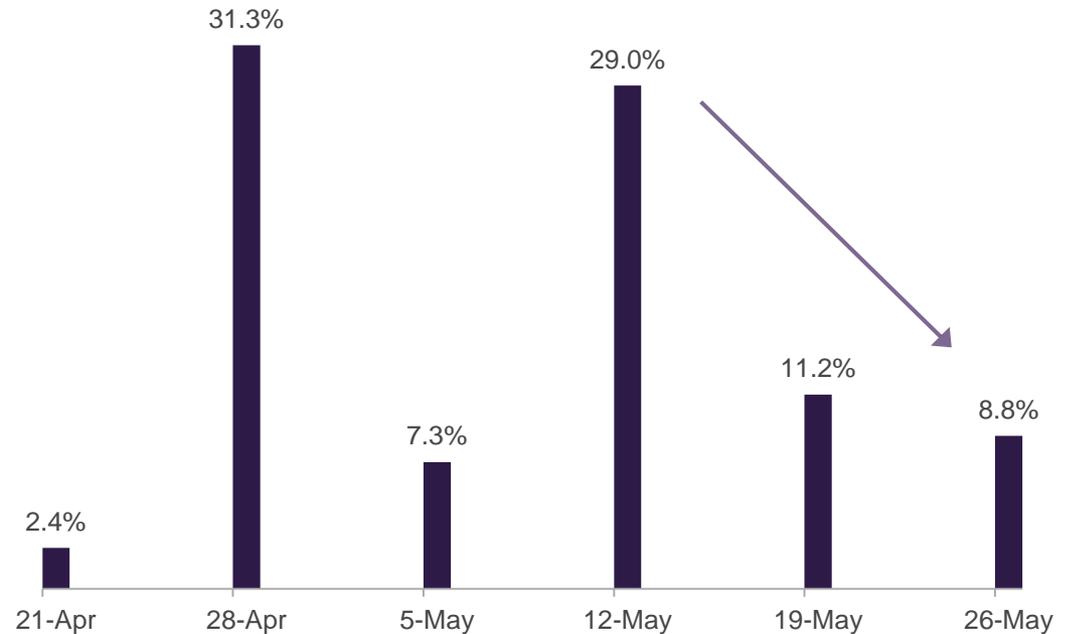


Sources: Truist IAG, Bloomberg, Department of Health & Human Services; daily data through May 19, 2022. 7-day moving average (7-DMA).

# Pace of new U.S. COVID-19 cases appears to be slipping

Although the total number of new COVID-19 cases in the U.S. has increased, the weekly pace has more than halved in past few weeks. The week-over-week change has slipped to 9,767, or an increase of 8.8%, compared to 26,018, or up 29.0% for the week of May 12.

**Weekly change in 7-DMA of new COVID-19 cases**

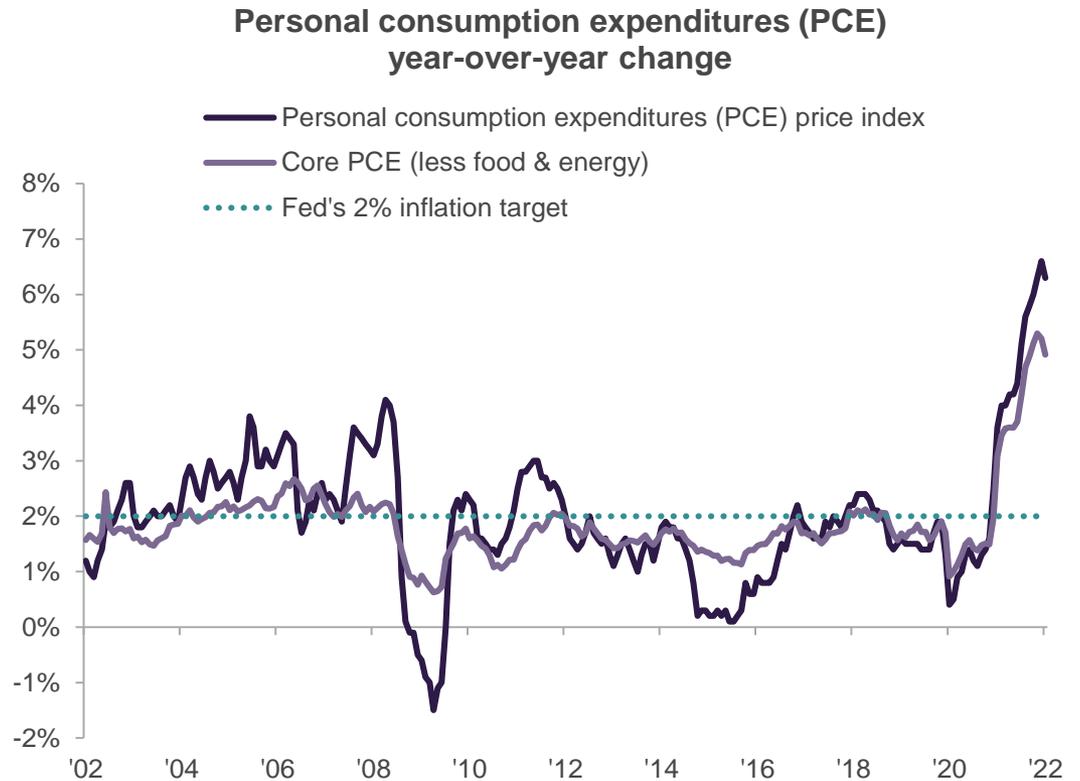


Sources: Truist IAG, Bloomberg, Johns Hopkins University; 7-day average (7-DMA) based on daily data through May 26, 2022.

# The Fed's favorite inflation gauge slipped for a second straight month

The price index of personal consumption expenditures (PCE) rose 6.3% from a year ago. Core PCE, which excludes the food and energy components, increased 4.9% year over year, down from 5.3% in February.

Core PCE is the Federal Reserve's (Fed) favored inflation gauge. While still well above the Fed's 2% target, easing inflation pressures might give the Fed enough cover to throttle back on rate hikes.



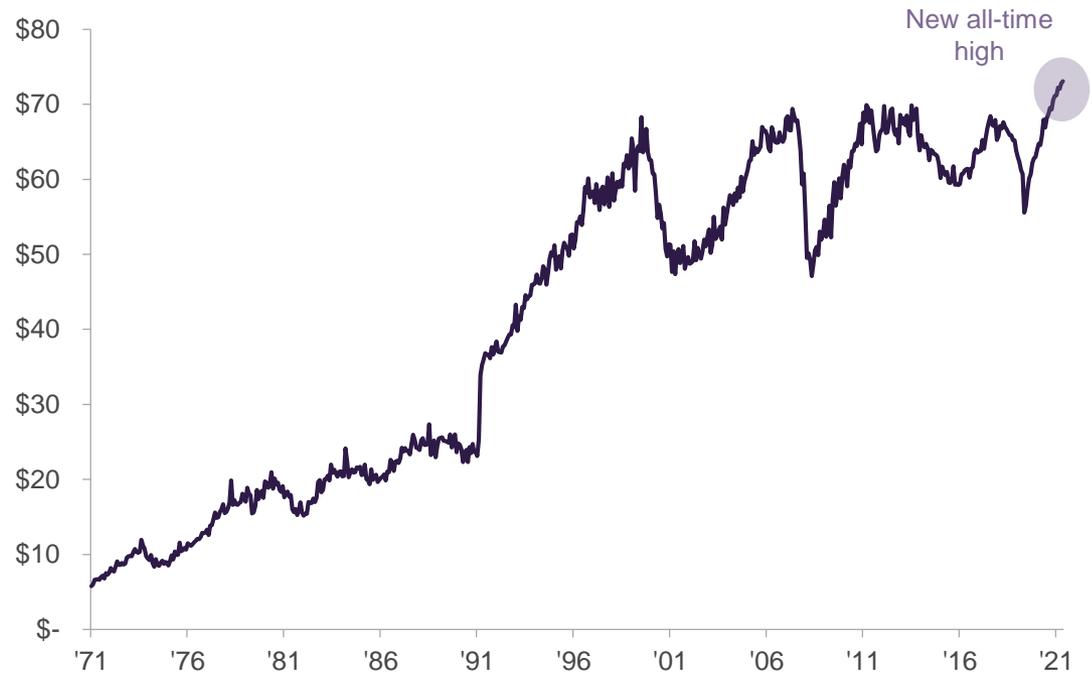
Sources: Truist IAG, Bloomberg, Bureau of Economic Analysis; monthly data through April 2022.

# Core capital goods orders hit fresh all-time high in April

Total new orders for durable goods rose 0.4% in April to \$265.3 billion. New Orders for core capital goods, which excludes the volatile aircraft and defense components, rose 0.3% in April to \$73.1 billion, which is a new all-time high. That's on top of a 1.1% increase in March and up 9.0% from April 2019.

These are new orders, which suggests that demand for business equipment remains solid despite inflation and higher interest rates.

**New orders for core capital goods  
(excludes aircraft & defense, in \$billions)**

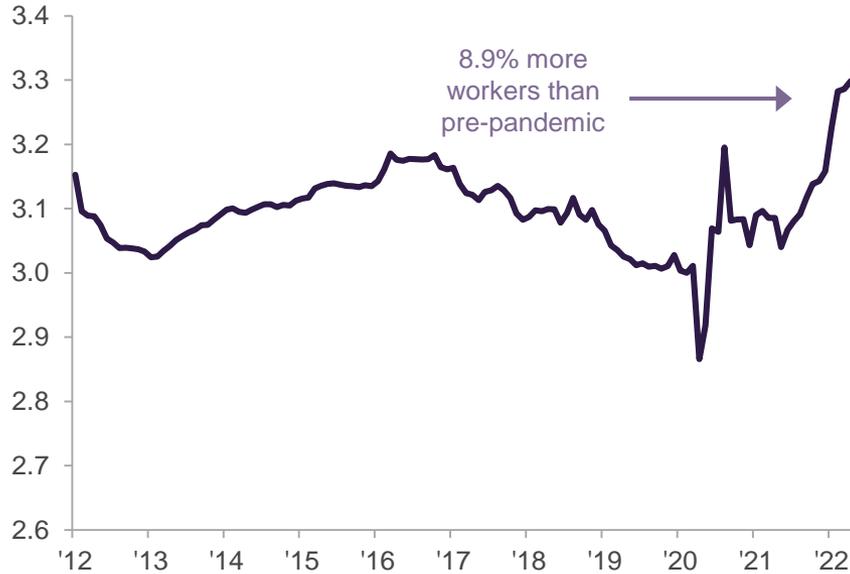


Sources: Truist IAG, Bloomberg, U.S. Census Bureau; monthly data through April 2022.

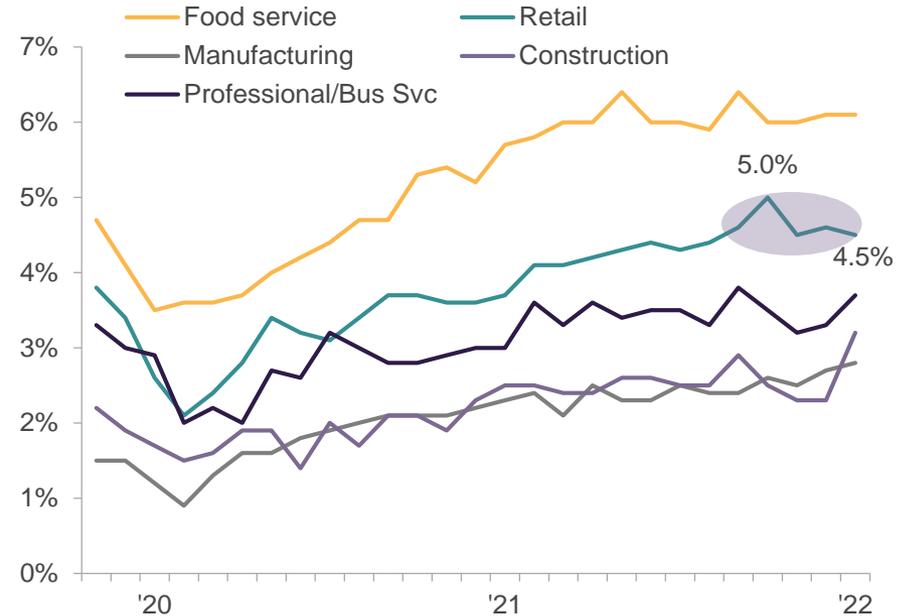
# Big box retailers have clearly over hired, while their quit rate dipped

Over the past two years, big box general merchandise retail stores have nearly 9% more employees. That likely was done to offset a two-percentage point increase in their quit rate, which peaked at 5.0% in December but slid to 4.5% in March.

**Employment at general merchandise stores  
(in millions)**



**U.S. employee quit rates by industry**

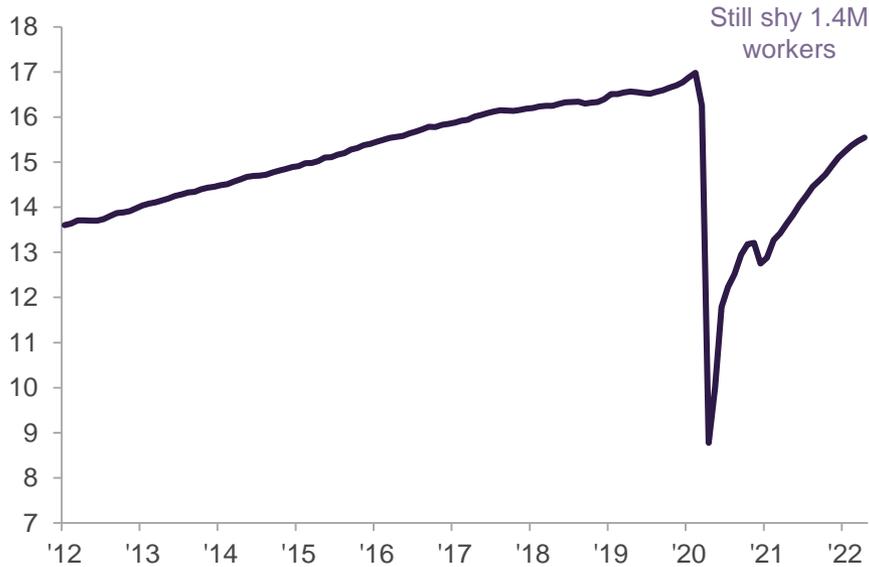


Data source: Truist IAG, Bloomberg, Bureau of Economic Analysis; employment data through April 2022, quit rates through March 2022.

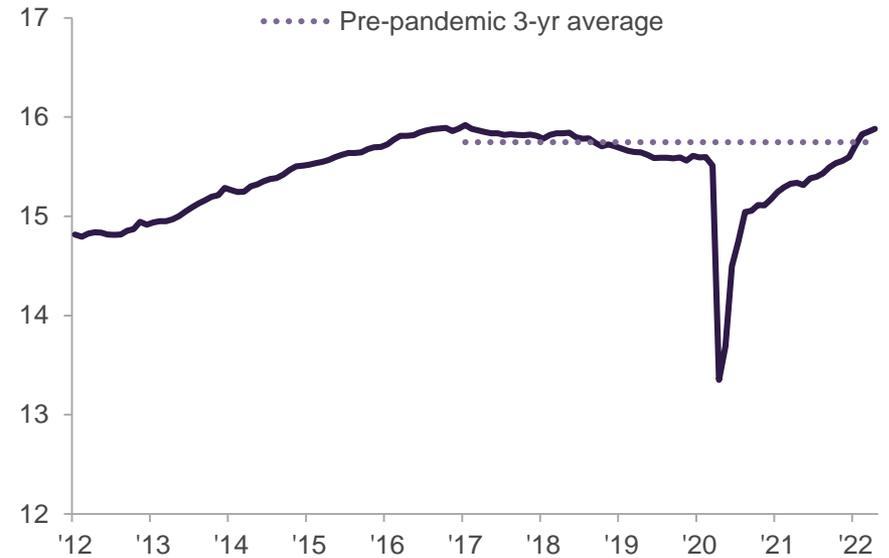
# Employment: leisure & hospitality vs. retailers – not every sector overstuffed

Employment within the leisure & hospitality sector is still down 7.9%, or 1.4 million workers; roughly three-quarters of these were restaurant employees. Meanwhile, the retail sector has hired up 1.8%, or 0.28 million more workers compared to .

**Leisure & hospitality sector employment (in millions)**



**Retail sector employment (in millions)**



Data source: Truist IAG, Bloomberg, Bureau of Economic Analysis; monthly data through April 2022.

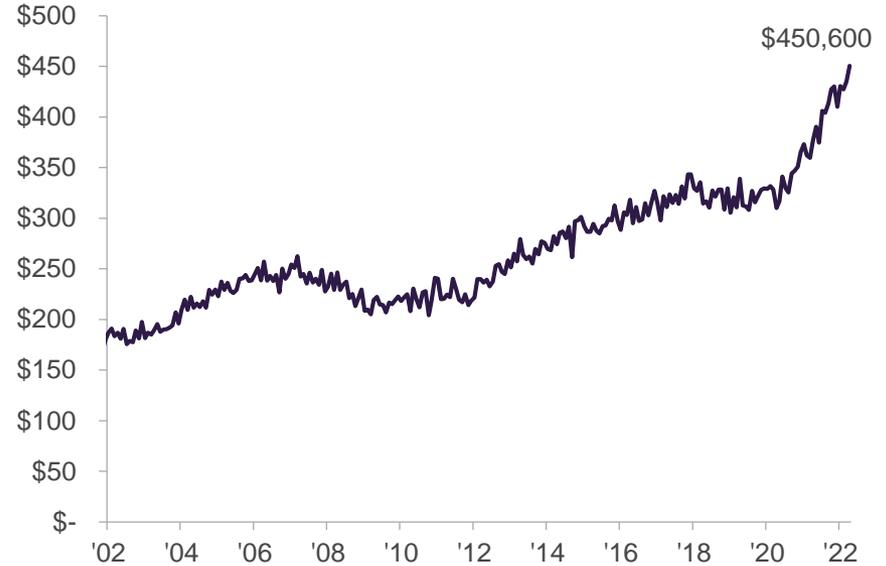
# New home sales down for 4<sup>th</sup> month in a row, but prices still climbing due to tight supply

New home sales fell by 16.6% during April to an annualized rate of 591,000, the fourth straight monthly decline and slipping below the 20-year average of 684,000. This is due to the sharp increase in home mortgage rates in '22. However, the median new home price rose to \$450,600 in April, which is related to a limited supply of available homes for sale in most areas.

**U.S. new single-family home sales (SAAR, units in millions)**



**Median price of new single-family homes (in \$thousands)**



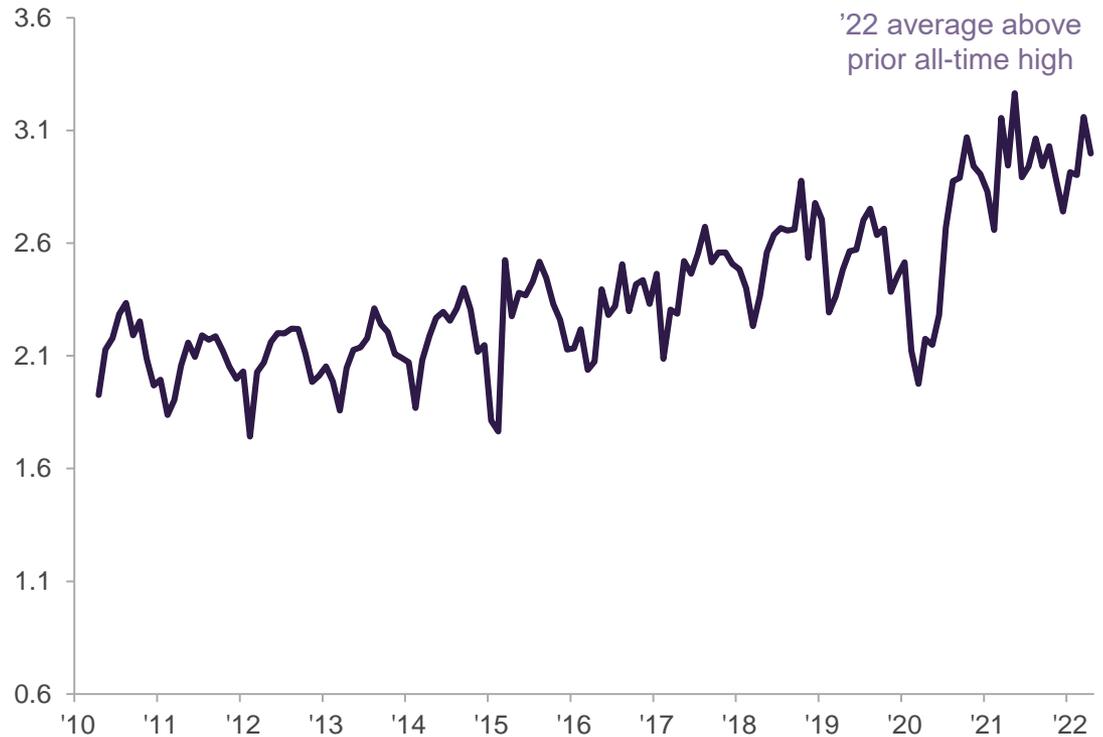
Sources: Truist IAG, Bloomberg, US Census Bureau; monthly data through April 2022. Figures shown are seasonally-adjust annualized rate (SAAR).

# Port traffic dipped in April from strong March

Total unit volumes fell 5.1% at the top 5 U.S. ports, which are (in order) Los Angeles, Long Beach, New York-New Jersey, Savannah, Seattle-Tacoma (SEATAC). However, it followed a strong March, up 8.9%, which was the largest monthly increase in 10 months and just below the all-time high in terms of units set in May '21.

Nonetheless, volumes at the top 5 ports were 20.8% above the April 2019 levels. Moreover, the '22 average remains above the previous all-time high set in October '18.

**Total unit volumes at top 5 U.S. ports (in millions)**



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

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