Economic data tracker – Summer travel in full swing

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Note: *The next edition (Week 26) will be published on July 3rd.*

Trend watch and what's new this week

Summer travel appears to be in full swing. Weekly air passengers climbed to 18.2 million, the highest level since July '19. This marks 17 straight weeks above 16 million, which is also the longest streak since the summer of '19. The year-to-date passenger total is tracking very closely with 2019, narrowly off the pace (-0.07%).

Similarly, hotel occupancy jumped to 70.8% last week, up 3.3 percentage points in the past month and the highest level since July '22. However, dining reservations have tough comparisons to very strong 2022 figures, running -5% below last year. Meanwhile, most of the remaining activity-based data (slides 5 and 6) is also seeing typical seasonal increases.

New orders for durable goods mixed as core orders sputter

On slide 7, new orders for durable goods—big-ticket items such as equipment, machinery, electronics, and office furniture—rose 1.7% in May. That was largely due to a 32.5% spike in commercial aircraft orders. But new orders for core capital goods, which excludes the volatile aircraft and defense components, rose 0.7% and is up just 2.1% from a year ago, slower than the pre-pandemic three-year average of 3.1%.

Economic data surprising to the upside, but isn't stronger

On slide 8, we show the Bloomberg Economic Surprise Index, which illustrates how economic data has consistently beat expectations since early May. This has contributed to the stock market's rebound in May and June. While surprising is "good" for markets, it hasn't been necessarily stronger. With several notable exceptions, such as new housing figures, much of the economic data in recent months has been lackluster at best, while some have been declining, including most of the manufacturing data.

Consumers wobbling a little but still buoyed by cash

On slide 9, we review the number of business and nonbusiness (aka personal) bankruptcy filings, which has jumped dramatically in 2023. Yet, while the rapid increase is concerning, both remain below pre-pandemic levels and well below their Great Financial Crisis levels.

Perhaps consumers' financial picture are better thanks to the still-elevated cash buffers. While bank deposit levels have declined in 10 of the past 13 months, overall bank deposits remain roughly $4 trillion above pre-pandemic levels (slide 10).

Lack of supply driving new housing uptick

New housing metrics continue to show signs of life after being pummeled during most of 2022, having declined in 8 of the 12 months. New homes sales (slide 11) jumped in May and rose for the seventh time in eight months. Prices also rose for the third time in four months.

Economic commentary – Our take and the bottom line

Our take

There continue to be crosscurrents within most economic reports. Yet, as we have repeatedly noted, while most data is coming in below ’22 levels, it isn’t necessarily weak compared to pre-pandemic levels and trends.

The economy isn’t collapsing nor is a recession necessarily inevitable. Housing is clearly less interest rate sensitive currently, apparently overwhelmed by a severe housing shortage. The housing market has restarted quicker than expected due to the severe housing shortage coming into the pandemic, and the deficit has grown to 3.8 million, according to estimates by Freddie Mac. Moreover, most of the forward-looking housing indicators point to further upside.

It is possible that the U.S. could skirt a recession. It’s becoming increasingly plausible that we may only see one negative quarter of gross domestic product (GDP). That said, it would be unprecedented to avoid a recession with weakening leading indicators, higher interest rates, and tighter financial and credit conditions.

Accordingly, we maintain our view that the coming economic slowdown will be relatively mild compared to the Great Financial Crisis and Pandemic recessions. We anticipate a continued gradual weakening of the economy rather than a sudden downshift.

Bottom line

A mild recession remains our base case as dramatically higher interest rates and tighter credit conditions place additional stress on consumers and businesses going forward. This now includes restarting student loan payments later this year as a result of the recent federal debt deal. We also believe that the Fed will keep interest rates higher for longer. But there’s a little more wiggle room that the U.S. could skirt a recession.

Econ-at-a-Glance

	Economic indicator	Trend	Last	Next – consensus	Comments
Overall	Gross domestic product (GDP)	▲	1Q A: 1.3%	1Q F: 1.4%	Revised up from the initially reported 1.1% pace. The biggest change was upward revisions to business inventories, which shrank less than previously estimated, and business and consumer spending.
Jobs	Unemployment rate[X]	▲	May: 3.7%	Jun: 3.6%	Up 0.3 in May to 3.7% from the cycle low of 3.4%.
Jobs	Monthly jobs (nonfarm)	▲	May: 339K	Jun: 213K	Pushed up the 6-month average to 301,500. That's nearly 125,000 per month more than the pre-pandemic 3-year average of 177,000.
Jobs	Weekly jobless claims[+]	⇆	6/17: 264K	6/24: 265K	Largely unchanged for the past three weeks.
Jobs	Nonfarm productivity	⇆	1Q F: -2.1%	2Q A: N/A	Revised upward from the initial reading of -2.7%, while unit labor costs were lowered to 4.2% from 6.3%.
Interest rates	Federal funds rate	▼	5.00% – 5.25%	7/26: 5.25% – 5.50%	The Fed held rates steady for the first time since early 2022. But market expects another quarter point hike in late July.
Interest rates	10-year U.S. Treasury yield	▼	3.71%‡	Flat/up	Has held fairly steady for the past three weeks. Still, we expect more volatility as the July Fed meeting approaches.
Interest rates	10-year AAA GO muni yield	▼	2.51%‡	Flat/down	Drifting modestly lower over the past month.
Interest rates	30-year fixed mortgage rate	▼	7.11%‡	Flat/up	Ticked upward after a brief spell below 7%. Still near their highest level since '01, which hurts housing affordability.
Inflation	Consumer prices (CPI)[X]	▼	May: 0.1%	May: 0.2%	The YoY pace cooled to 4.0% from 4.9%.
Inflation	Core CPI	▼	May: 0.4%	May: 0.4%	YoY rose 5.2%, cooling for the third straight month.
Inflation	Producer prices (PPI)	⇆	May: -0.3%	Jun: 0.2%	The YoY rose 1.1%, cooler than the 2.3% pace in April.
Inflation	Core PPI	⇆	May: 0.2%	Jun: 0.2%	YoY cooled 2.8%. Services prices fell after ticked higher in April.

▲Good ▼ Bad ⇆ Neutral [+]Leading indicator [x]Lagging indicator ‡Intraday quote Bloomberg consensus shown

Econ-at-a-Glance

	Economic indicator	Trend	Last	Next – consensus	Comments
Housing	Existing home sales	▼	May: 4.30M	Jun: N/A	Increased 0.2% in May, while April was revised upward to -3.2%.
	New home sales	▲	May: 763K	Jun: N/A	Jumped 12.2% MoM, while prices also rose.
	New housing starts	⇆	May: 1.631M	Jun: N/A	Rose 2.2% MoM but March was revised downward to -4.5%.
	New permits+	⇆	May: 1.491M	Jun: N/A	Increased 5.2% MoM.
Business	Durable goods orders+	▲	May P: 1.7%	May F: 1.7%	Core capital goods orders (ex-air & defense) rose 1.7% MoM.
	ISM Manufacturing Index	▼	May: 46.9	Jun: 47.3	Activity contracted for the 7th month in a row. Prices paid component was the lowest reading since December '22.
	ISM Services Index	▲	May: 50.3	Jun: 51.2	Narrowly missed contracting in December. Prices paid component edged up but fell in 10 of the prior 12 months.
	Business inventoriesX	▲	Mar: -0.1%	Apr: 0.2%	Fell modestly and has moderated over the past few months.
Consumer	Personal income	▲	Apr: 0.4%	May: 0.3%	Wage growth continues to climb, up for 15 consecutive months.
	Personal spending	▲	Apr: 0.8%	May: 0.2%	Better than expected, most in three months and March revised up.
	Retail & food sales	⇆	May: 0.3%	Jun: N/A	Rebounded again after two down months in March and February.
	Consumer sentiment	▼	Jun P: 63.9	Jun F: 63.9	Still, depressed compared to 2022. One-year inflation expectations dropped sharply again, down to 3.3% from 4.2% previously.

▲Good ▼ Bad ⇆ Neutral +Leading indicator XLagging indicator ‡Intraday quote Bloomberg consensus shown

U.S. activity-based data matrix

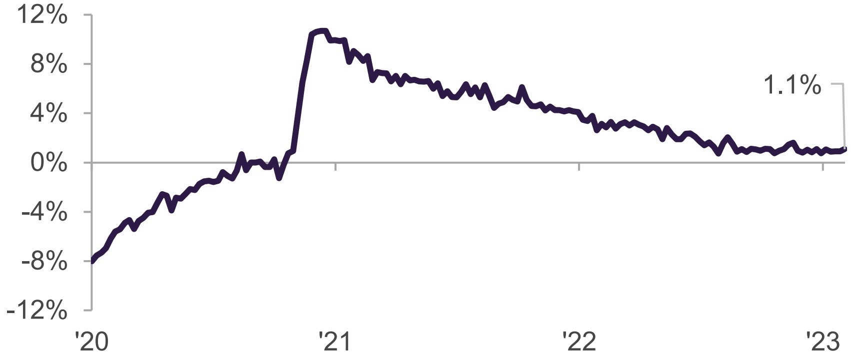
Indicator	Relative trend	What we're watching
Back to office	⇆	Ticked up to 48.5 (pre-pandemic indexed to 100). Top cities were Houston (61), Austin (58), and Dallas (54); bottom were San Jose (38) and Philadelphia (41). The trend is steadily improving and is now about half of pre-pandemic levels, which is a modest positive for overall growth.
TSA air passenger throughput	▲	Weekly counts rose 0.2% WoW to 18.2 million, the highest since July '19. Passenger counts were -0.5% from the same week in June '19 but 12.4% above June '22. Year to date is -0.07% from the same period in 2019.
OpenTable restaurant bookings	▼	Slipped to -5% compared to 2022 levels. Top positive states were led by Washington (+3%) and Georgia (+1%); bottom were Indiana (-17%), Louisiana and Delaware (both -16%). Top cities were Milwaukee (+12%) and Naples (+11%); bottom were New Orleans (-33%) and Indianapolis (-29%).
Hotel occupancy	▲	Jumped to 70.8%, the highest since July '22. The average daily rate rose WoW to $159.82, up 2.6% from the same week in '22, and revenue per available room also rose WoW to $113.17, up 1.5% from June '22.
Freight (rail/truck/ship)	⇆	Rail carloads slipped 1.6% during the latest week but rose 0.8% MoM in May to a 7-month high. Container traffic in May rose 8.8% at the top 5 U.S. ports (LA, LB, NY/NJ, SAV, SEATAC), the third straight monthly rise. The Cass Freight Index rose 1.9% MoM in May, snapping a two-month down streak.
Staffing index	⇆	Rose to 99.7, which was a four-week high and the second straight weekly increase. The pre-pandemic all-time high was 105.8 set in Dec. '14. The cycle low was 59.6 set in April '20.
Apartment rental prices	▲	Rent index increased 0.6% MoM in May and rose 4.8% YoY, which is below the annual average of 5.7% since 2015. The rental growth rate clearly peaked during the second half of 2021.

Trend relative to whether it is favorable for economic growth:
▲Positive ▼Negative ⇆Neutral / Mixed

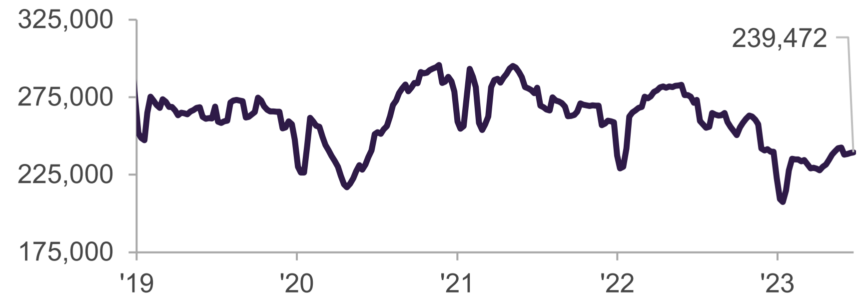
Sources: Truist IAG, Bloomberg, Kastle Back to Work Barometer, Transportation Security Administration, OpenTable, STR/CoStar, American Staffing Association, Zillow. Week-over-week and year-over-year change are abbreviated as WoW and YoY, respectively.

Activity-based trends slipped to start 2023, but firming through June

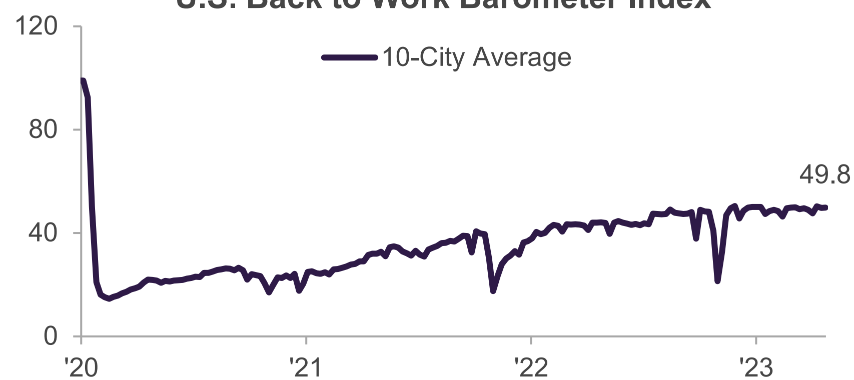
NY Fed weekly economic index



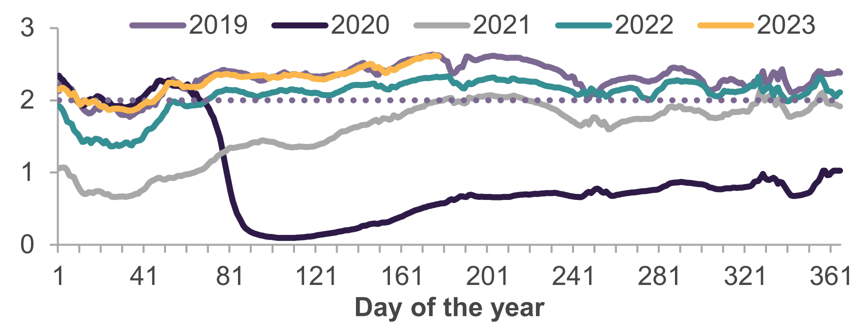
U.S. intermodal freight carloads (4-week average)



U.S. Back to Work Barometer Index



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 June 17, 2023. Top right: (U.S. intermodal freight carloads) Bloomberg, Association of American Railroads Intermodal Trailers U.S. Freight Carloads, 4-week average through June 23. Bottom left: Bloomberg, Kastle Systems averaged weekly through June 21. Bottom right: Bloomberg, Transportation Security Administration (TSA) 7-day average through June 27.

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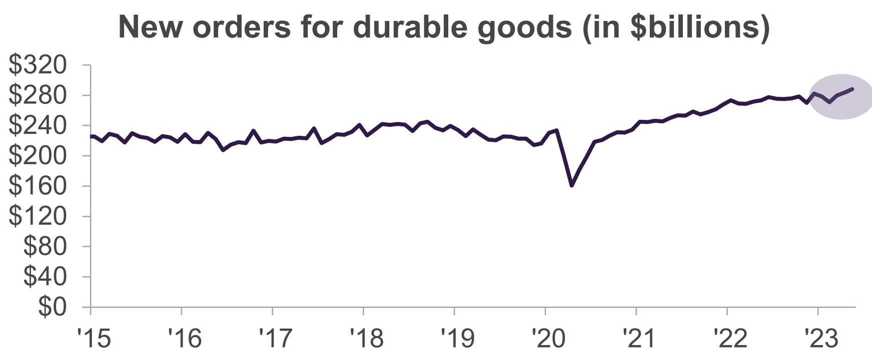
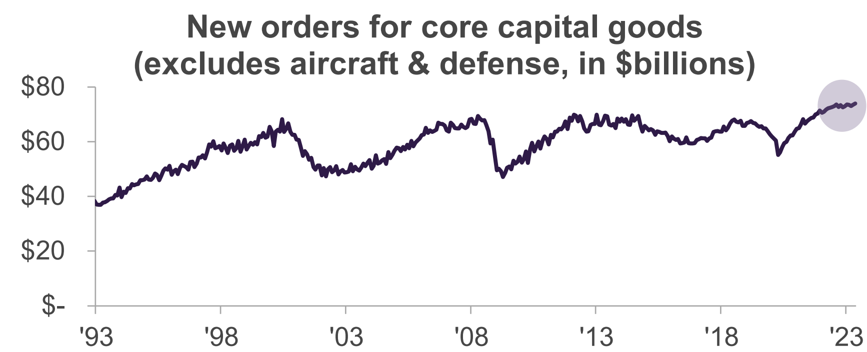
Wealth

Core capital goods orders sputtering

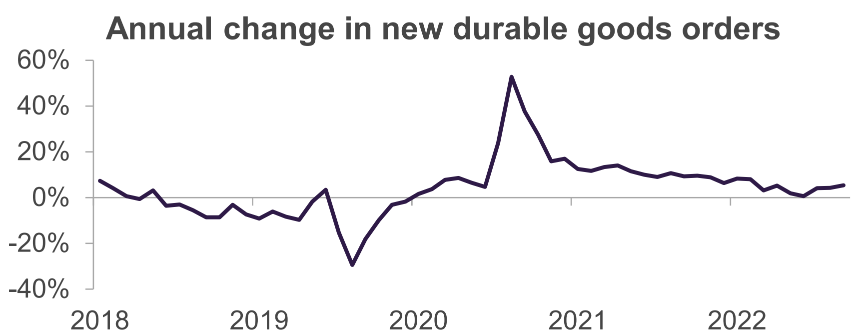
Hovering near cycle high thanks to commercial aircraft orders



Appears to be stalling, up just 2.1% from a year ago



The year-over-year pace has cooled considerably in 2023



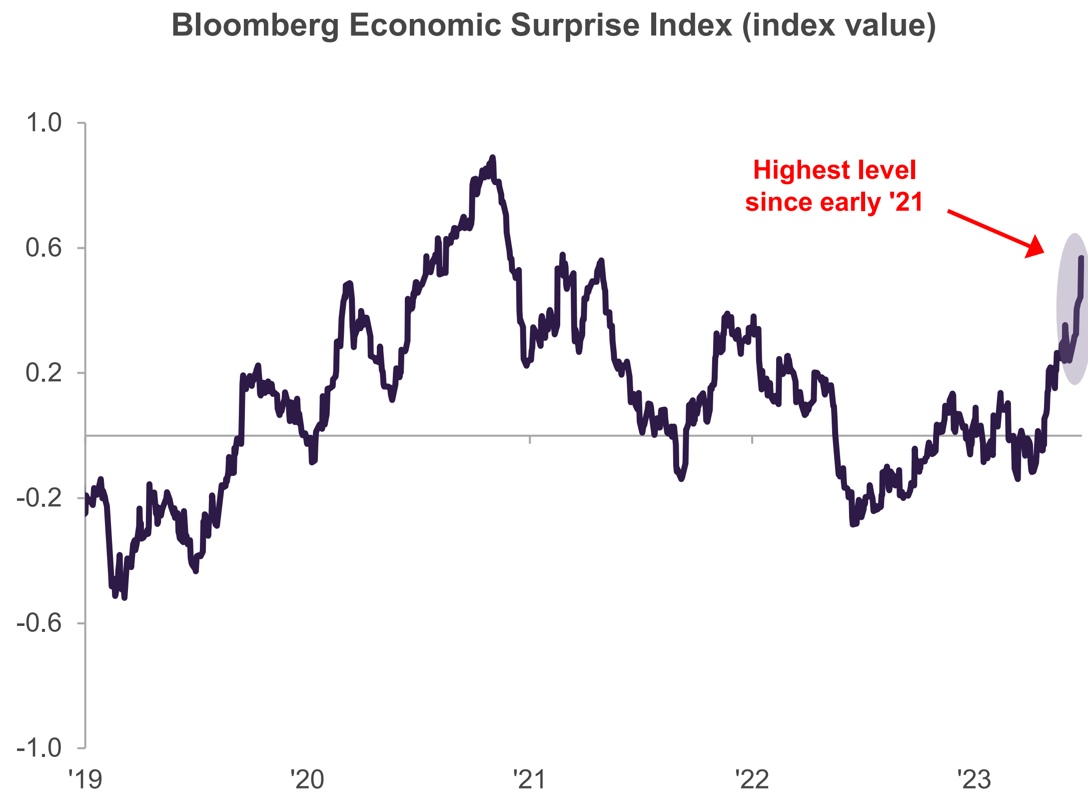
Up for two straight months after falling in four of the prior 7 months

Sources: Truist IAG, Bloomberg, U.S. Census Bureau; monthly data through May 2023.

Economic data surprising to the upside, but not necessarily stronger

Economic data has consistently been coming in better than expected, which is known as surprising, since early May. In fact, the Bloomberg Economic Surprise Index has jumped to its highest level since April 2021, which has contributed to the stock market's rebound in May and June.

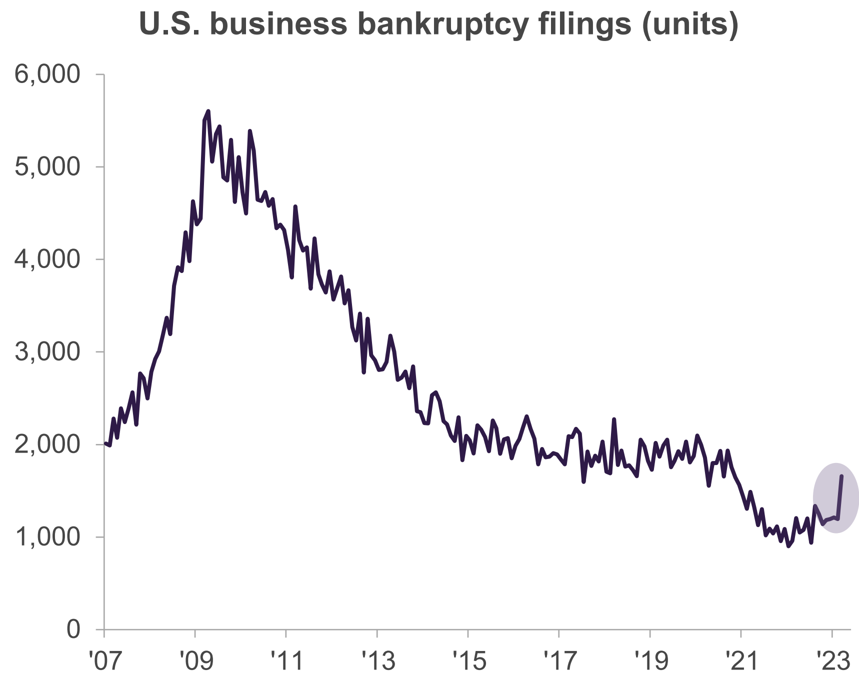
Yet, while surprising is "good" for markets, it hasn't been necessarily stronger. With several notable exceptions, such as new housing figures, much of the economic data in recent months has been lackluster at best, while some have been declining, including most of the manufacturing data.

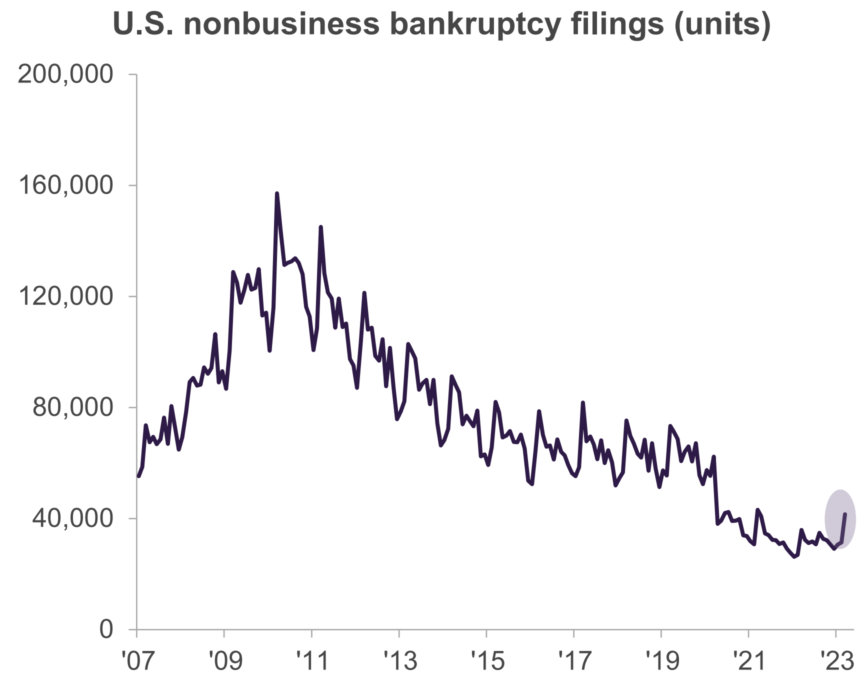


Source: Truist IAG, Bloomberg. Daily data through June 27, 2023.

Bankruptcies trending higher, but still not back to pre-pandemic levels

The number of business and nonbusiness (aka personal) bankruptcy filings has jumped dramatically in 2023, up 16.5% combined from a year ago. While the rapid increase is concerning, both remain below pre-pandemic levels and well below their Great Financial Crisis levels.



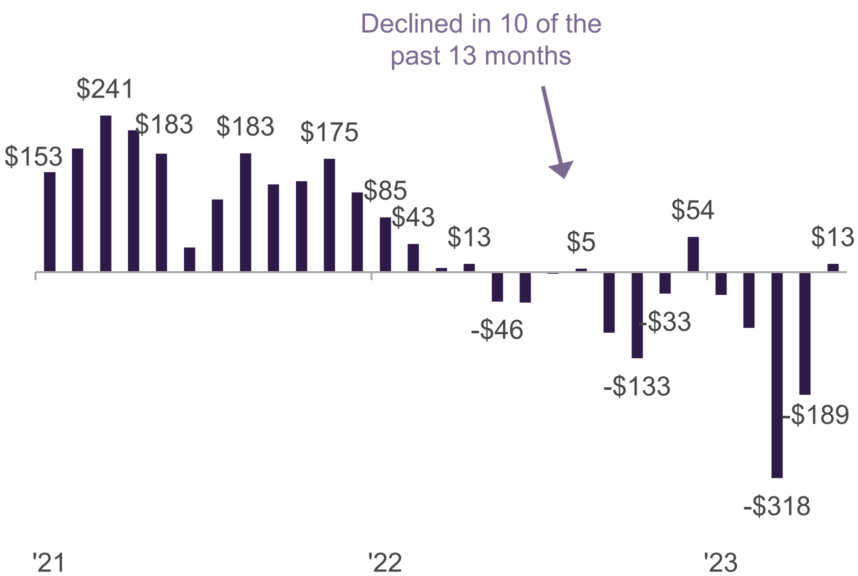


Sources: Truist IAG, Haver, Administrative Office of the U.S. Courts; monthly data through March 2023.

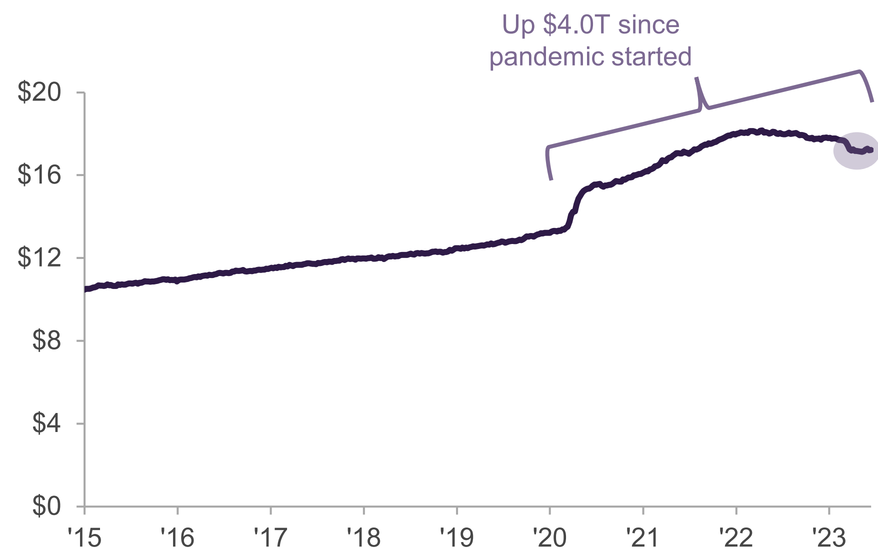
Bank deposits down over the past year, but appear to be stabilizing

Bank deposits have declined in 10 of the past 13 months, largely fleeing to money market funds paying higher rates. But, zooming out, overall bank deposits appear to be stabilizing and remain $4.0 trillion above pre-pandemic levels.

Monthly change bank deposits in U.S. commercial banks (in $billions)



Weekly bank deposits & savings in U.S. commercial banks (in $trillions)

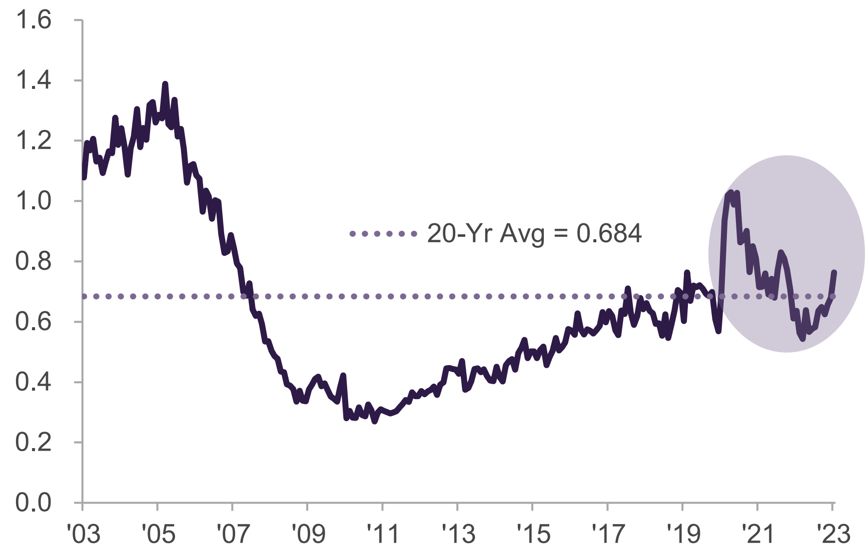


Source: Truist IAG, Bloomberg, Federal Reserve Board. Left chart: monthly data through May 2023; right chart: weekly data through June 14, 2023.

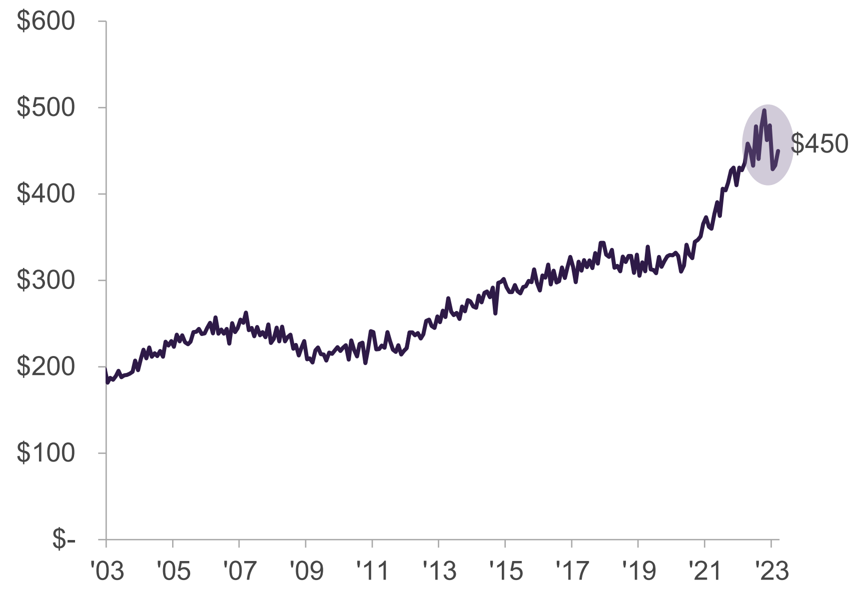
New home sales rose for 7th time in 8 months and prices up too

New homes sales jumped 12.2% to an annualized rate of 763,000 in May, which is back above the 20-year average. Meanwhile, prices rose 3.5%, which is 26.3% above the December 2019 level. Overall prices have been supported by limited inventories of new and existing homes for sale.

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



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



Sources: Truist IAG, Bloomberg, U.S. Census Bureau. Figures shown are seasonally-adjust annualized rate (SAAR); monthly data through May 2023.

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