Keybridge Economic Pulse

Key data and high-frequency indicators of economic activity

Prepared By:

Robert Wescott, Ph.D.
Desmond Dahlberg
Julie Coen
Anthony Potts
Song Jiang

Updated:

January 19, 2023

Keybridge Economic Pulse

Updated: January 19, 2023

KEYBRIDGE
Public Policy Economics

Summary for January 19, 2023

Headline inflation continues to moderate, as energy prices decline and supply constraints dissipate further. However, underlying inflation, especially in the services sector, remains elevated, indicating that it may take some time to hit the Fed's 2% target. Due to these concerns, several Fed officials have stated their support for further rate hikes, and markets expect rates to hit 5.0% by March. These developments continue to weigh on the housing market, with home sales still falling and builder sentiment far below its historical average. Consumer spending is also showing signs of softening. On the bright side, the labor market continues to add jobs, but the pace of job growth has slowed, and postings for new jobs have dipped for several key sectors. Against this backdrop, recession risks are increasing and should be taken seriously.

	Growth	Recession Tracker	Consumers and Labor	Housing	Supply Chains	Inflation	U.S. Regions
Latest Highlights	*Expectations for GDP growth in Q4 of 2022 dipped due to weaker consumer spending*	*A U.S. recession in the next few months is unlikely, but risks are growing*	*Consumers are cutting back on spending as the labor market shows signs of cooling*	*The housing market continues to sputter, but declines are less severe than they were a few months ago*	*Supply chains continue to improve as consumer demand weakens and recession risks rise*	*Headline inflation cooled again in December, reaching 6.5% Y/Y, but underlying inflation remains elevated*	*Most states have tight labor markets; consumer financial stress varies widely across the states*
Emerging Risks & Opportunities?	! *A debt ceiling crisis looms as partisanship in Congress could lead to an U.S. government debt default*	*A solid jobs report in December signals that the labor market remains an economic tailwind*	! *Retail sales declined by 1.1% in December as consumers cope with inflation*	—	—	! *Despite falling headline inflation, markets expect the Fed to continue to raise rates*	—

Keybridge Economic Pulse

Updated: January 19, 2023

KEYBRIDGE
Public Policy Economics

WEI

Year-over-Year Growth | The Weekly Economic Index (WEI) moved to 0.9% on January 7, down from 2.1% two weeks ago. The latest figure implies that U.S. GDP would be roughly 0.9% higher in Q4 2022 than in Q4 2021 if the WEI held at the current level for the entire quarter. According to the New York Fed, declines in retail sales and consumer confidence more than offset an increase in fuel sales as well as a decrease in initial unemployment claims.

GDPNow

Quarter-over-Quarter Growth | The latest GDPNow estimate from the Atlanta Fed forecasts that GDP will expand at an annualized rate of 3.5% in Q4. This figure represents a decrease in growth forecasts compared to early January. Overall, the lower estimate was largely due to weaker expectations for consumer spending, nonresidential fixed investment, and residential investments, which offset stronger expectations for net exports.

Weekly Economic Index (WEI)

Year-over-year growth

Week ended: **Jan 7**

Note: From the New York Fed, "The Weekly Economic Index (WEI) provides a signal of the state of the US economy based on data available at a daily or weekly frequency. The WEI is an index of ten daily and weekly indicators of real economic activity, scaled to align with the four-quarter GDP growth rate." The WEI incorporates the following components: Johnson Redbook retail sales, initial and continuing unemployment insurance claims, railroad freight loads, raw steel production, American Staffing Association Index, Rasmussen Consumer Index, electric utility output, fuel sales to end users, and federal withholding tax collections.

Real GDP "Nowcasting" Over Time

Percent change for Q4 2022, seasonally adjusted annual rate

Note: From the Atlanta Fed, GDPNow "provides a 'nowcast' of the official estimate [of the growth rate of real gross domestic product, or GDP] prior to its release by estimating GDP growth using a methodology similar to the one used by the U.S. Bureau of Economic Analysis. It is best viewed as a running estimate of real GDP growth based on available economic data for the current measured quarter." The GDPNow forecast is constructed by aggregating forecasts for 13 subcomponents that comprise GDP, including net exports, personal consumption expenditures, residential investment, nonresidential fixed investment, government spending, and change in private inventories.

Recession Tracker

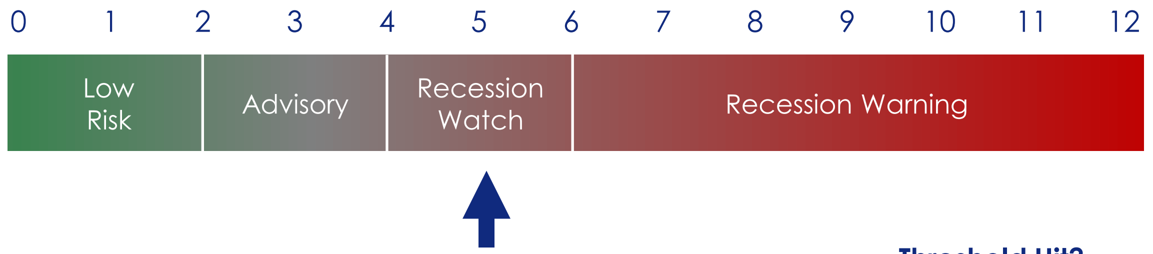
Updated: January 19, 2023

KEYBRIDGE
Public Policy Economics

Recession Tracker

Recession Tracker Update | Out of the twelve recession leading indicators on the latest edition of the Keybridge Recession Tracker, five are "flashing red", while one is "gray." Typical lead times for the "red" indicators suggest a relatively low probability that the U.S. economy will enter a recession in the next few months, though the risks of a recession are greater in later 2023. Recession risks should be taken seriously at this stage.

Number of recession-leading indicators flashing "red" in December:



Indicator*	Typical Lead	Threshold	Threshold Hit? red = yes, green = no, gray = nearly
Chicago Business Barometer	*Coincident*	*Two consecutive months below a reading of 45*	44.9
Sahm Real-Time Recession Index	*Coincident*	*Level above 0.5*	0.07
Consumer Confidence / Unemployment Rate	*0–6 months*	*3-month moving average falls below -6% year-over-year*	15.6%
Temporary Employment ÷ Unemployment Rate	*0–6 months*	*One month of negative year-over-year change*	16.24%
C&I Loan Delinquency Rate	*0–9 months*	*Delinquency rate rises for two consecutive quarters*	7.0%
NFIB Capex Index	*3–12 months*	*Index falls below -5% year-on-year for three consecutive months*	-11.1%
Housing Starts ÷ Jobless Claims	*3–12 months*	*3-month moving average of year-over-year growth is less than 20%*	26.68%
Elkhart Employment	*6–12 months*	*Employment falls 3% or more compared to the prior year*	1.3%
Leading Economic Index	*6–12 months*	*Index declines compared to the previous year*	-2.9%
Corporate Profits	*6–12 months*	*Year-over-year change below 15%*	6.86%
NAHB Housing Market Index	*6–18 months*	*Index declines more than 15% year-over-year for three consecutive months*	-63.1%
Yield Curve	*12–24 months*	*Spread between 10-year and 2-year yields on U.S. Treasuries turns negative*	-61.0%

*Not all indicators shown

Keybridge Economic Pulse

Updated: January 19, 2023

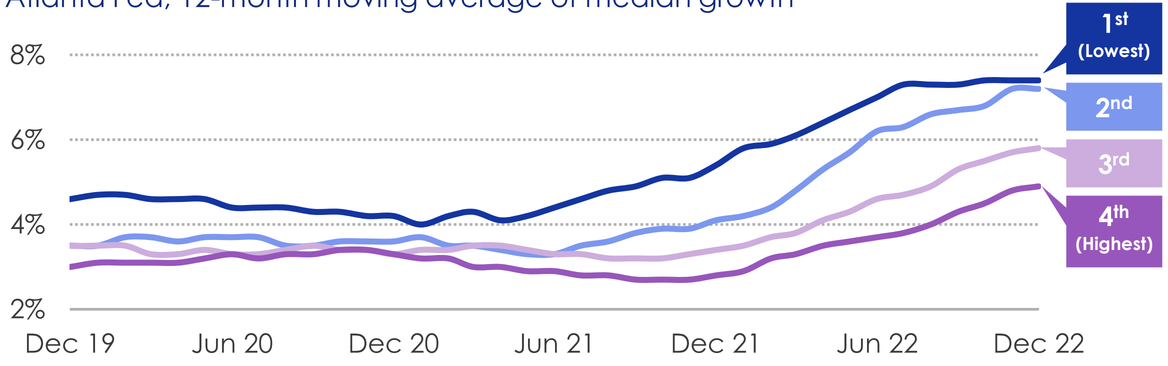
KEYBRIDGE
Public Policy Economics

Consumers and Labor

Consumers and Labor Update | Consumers are cutting back on spending. TSA checkpoint volume has been declining compared to March 2020. Gasoline demand has also decreased by 5.5% compared to early 2020. Additionally, wage growth is slowing for all wage quartiles. Small businesses are also expressing pessimism around the economy in 2023, with fewer owners reporting plans for more employment.

Year-over-year Growth in Hourly Wages, by Wage Quartile

Atlanta Fed, 12-month moving average of median growth



NFIB Small Business Surveys

Seasonally adjusted % of firms with:

Averages

	Nov 2022	Dec 2022	Nov 2017-2019	Dec 2017-2019
Job Openings	44%	41%	34%	34%
Plans (Net) for More Employment	18%	17%	22%	21%
Plans (Net) for Higher Compensation	28%	27%	23%	24%

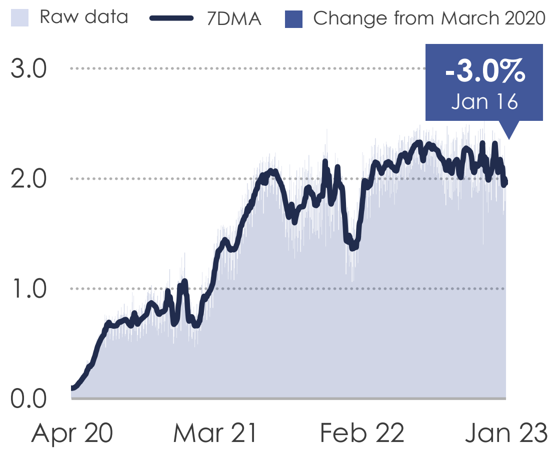
Motor Gasoline Supplied (Demand)

EIA, % change from Jan-Feb 2020, 4WMA

Note: Not seasonally adjusted

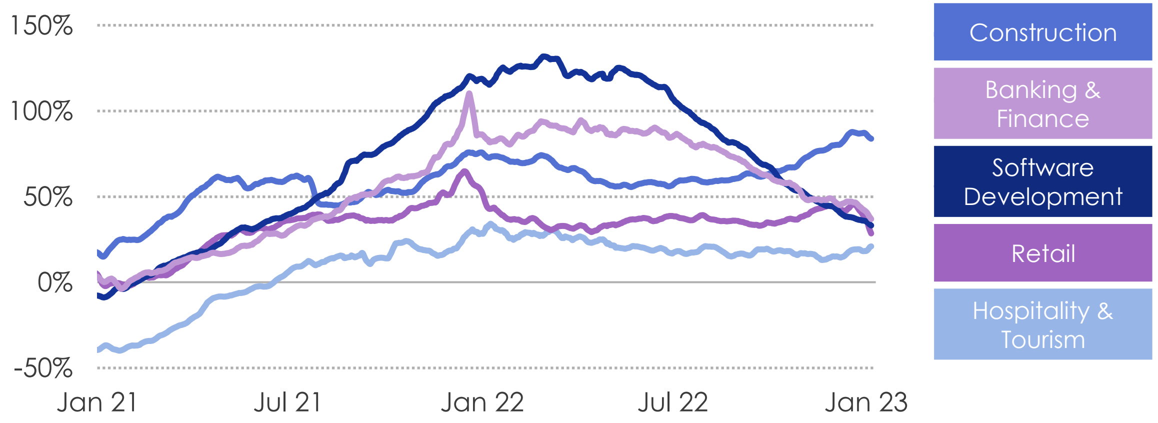
TSA Passenger Checkpoint Volume

Millions, daily



Change in Job Postings by Industry since February 2020

Indeed Hiring Lab, seasonally adjusted, 7DMA



Keybridge Economic Pulse

Updated: January 19, 2023

KEYBRIDGE Public Policy Economics

Housing

Housing Update | After months of decline, the housing market showed some signs of stabilizing. Active listings with price drops are falling and mortgage applications have hovered around the same level since October. Nonetheless, home sales continue to fall, and the number of active listings is increasing as homes spend more days on the market. With the Fed considering further rate hikes, the housing market could continue to sputter in 2023.

NAHB Housing Market Index

Measure of builder sentiment

November: 33	December: 31	January: 35
30-year avg. = 54	*30-year avg. = 54*	*30-year avg. = 53*

Mortgage Applications Index

Mortgage Bankers Association

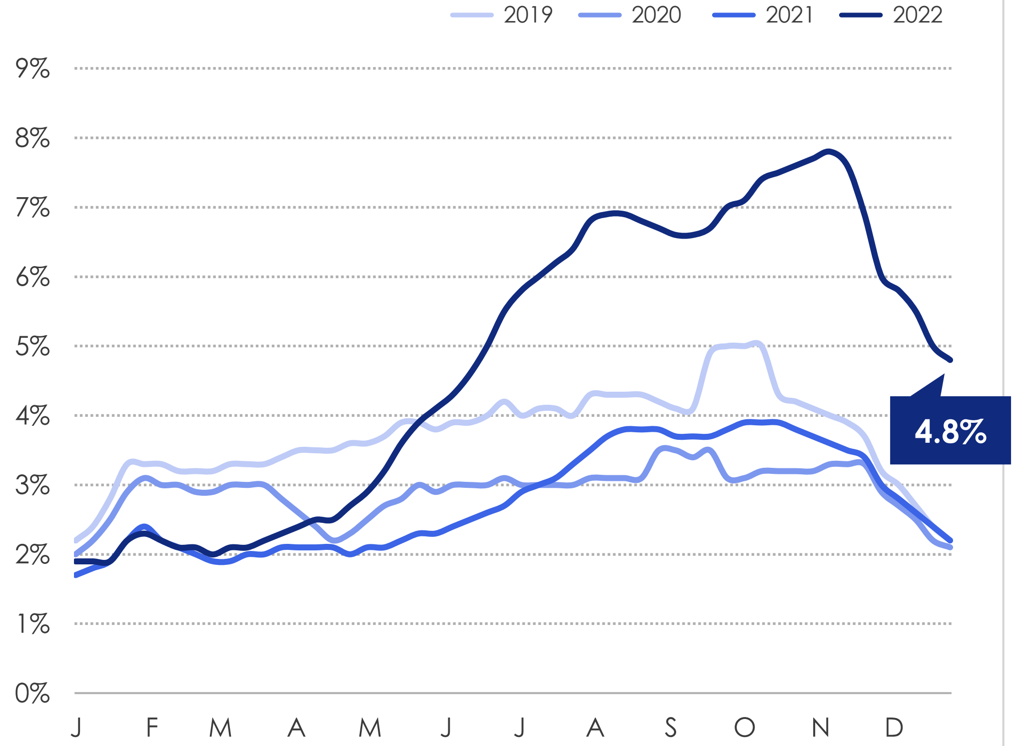
Homes Sold in All Metros

Y/Y % change, Redfin

Dec 25	Latest	Y/Y Change
Active Listings	766k	+18.2%
Days on Market	40.0	+10.3

Active Listings with Price Drops in Last Four Weeks

In all metros, Redfin



Keybridge Economic Pulse

Updated: January 19, 2023

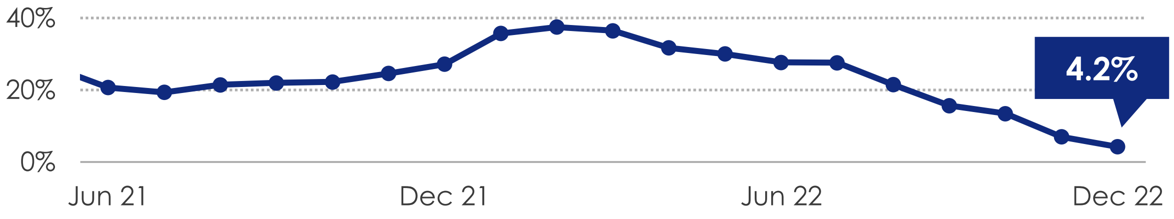
KEYBRIDGE
Public Policy Economics

Supply Chains

Supply Chains Update | Supply chains continue to recover from pandemic-related disruptions. The Baltic Dry Index, long distance freight trucking prices, and the producer prices from China have all significantly declined from their peaks in late 2021 and early 2022. Softening consumer demand has contributed to these improvements, reducing the stress on supply chains, and has led to a drop in the U.S. trade deficit.

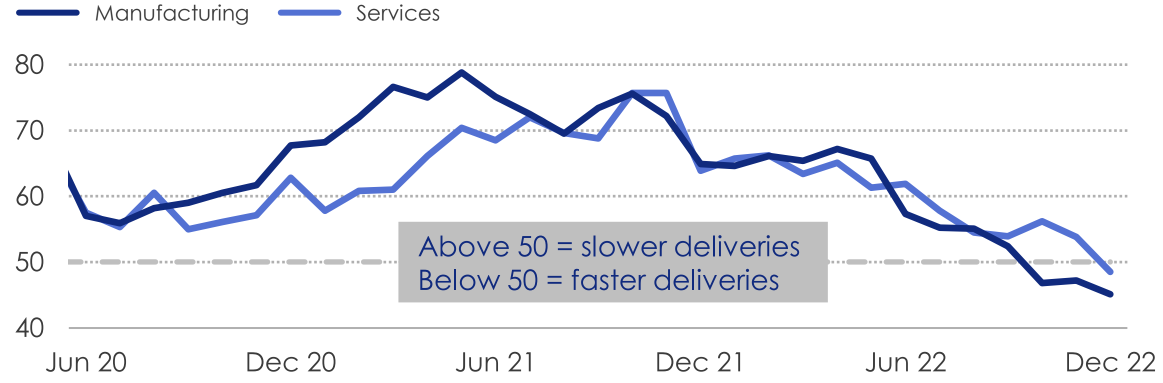
Long-Distance Freight Trucking

YoY change in producer prices



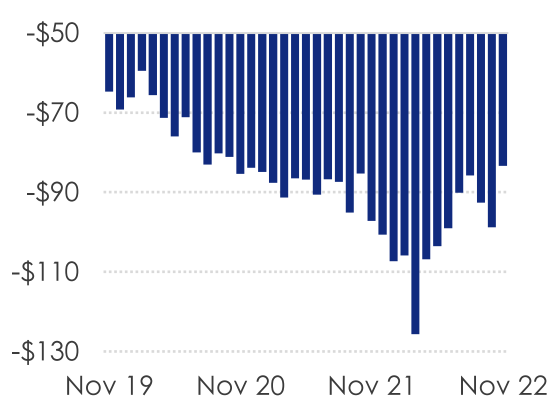
Supplier Deliveries Indexes

Institute for Supply Management, monthly



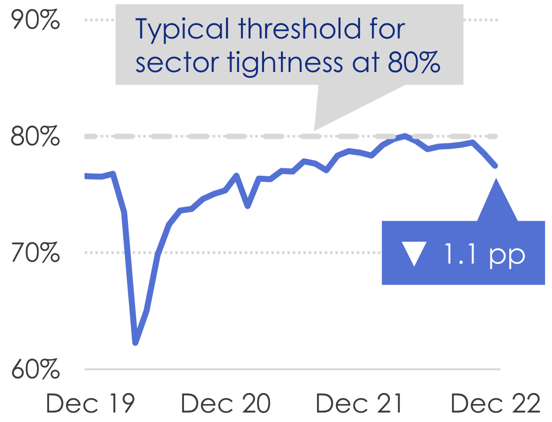
Trade Balance for Goods

Census Bureau, seasonally adjusted, billions of USD, BOP basis



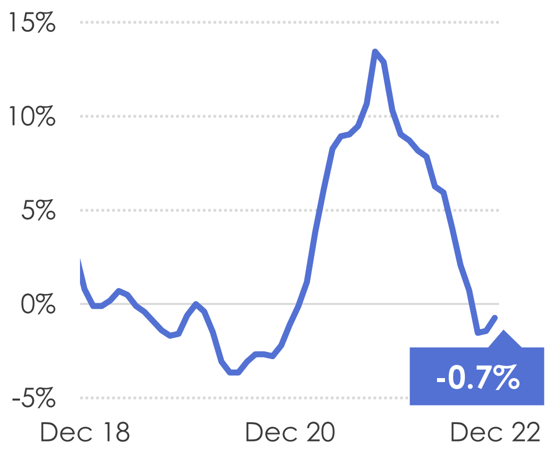
Capacity Utilization: Manufacturing

Seasonally adjusted, Federal Reserve



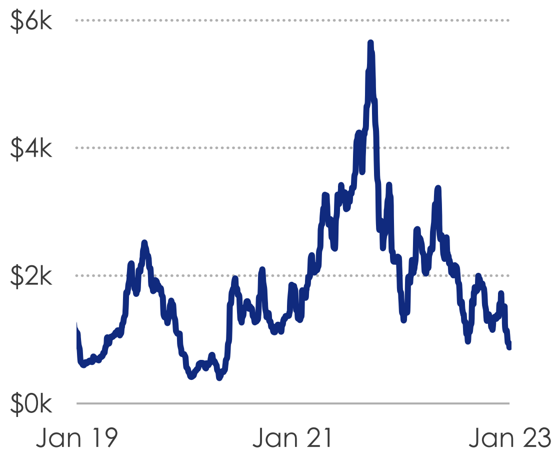
Producer Prices from China

China National Bureau of Statistics, YoY



Baltic Dry Index

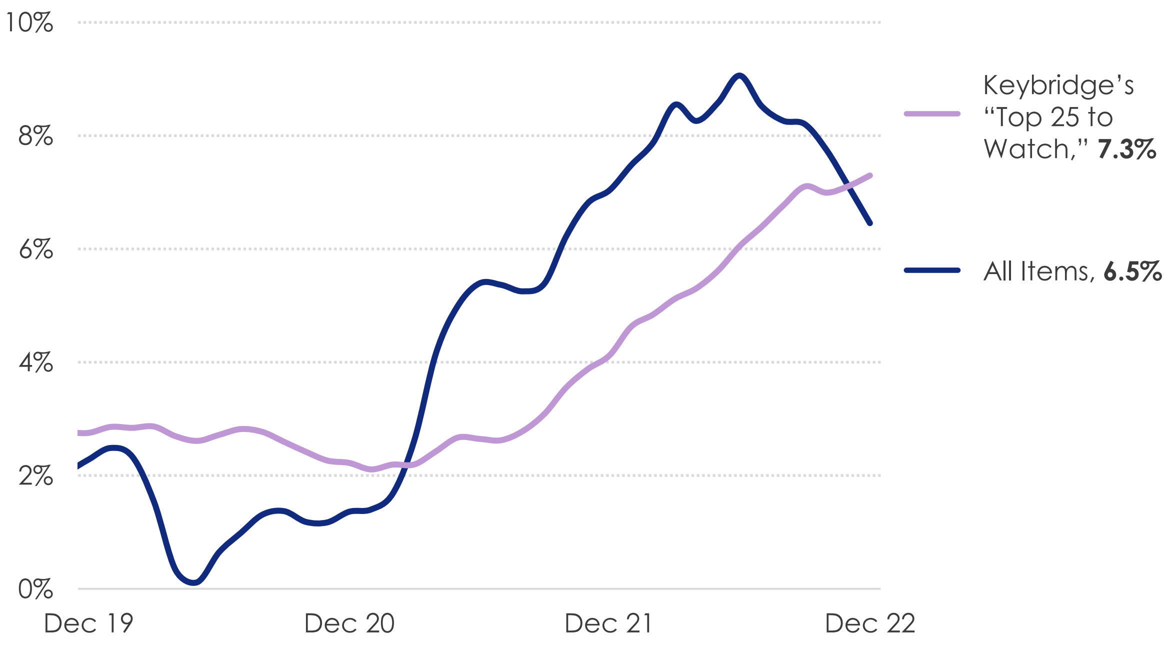
USD, daily



Inflation

Inflation Update | Headline inflation dropped in December to the lowest year-over-year rate since October 2021, as energy prices continue to fall. Consumer expectations for inflation in the year ahead also eased, dropping to 4% in January, a full percentage point lower than in October. Still, Keybridge's "Top 25 to Watch" suggests that structural inflation remains elevated and is far above its pre-pandemic trend.

Change in Consumer Prices by Category*
Year-over-year rates, monthly



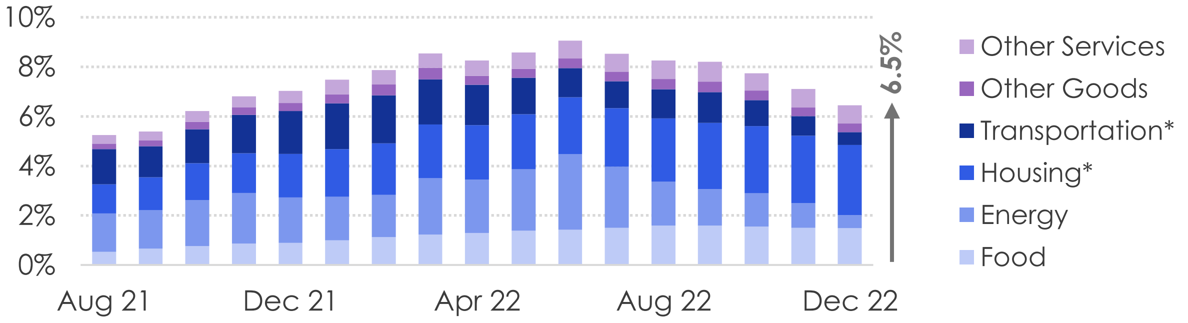
* In August 2021, Keybridge conducted an analysis of data from the Bureau of Labor Statistics and selected from 70+ components of the Consumer Price Index for a "Top 25 to Watch" based on our thinking about which goods and services are likely to show longer-term inflation (e.g., electricity, rent, and a variety of services). Additional data is available upon request.

Consumer Inflation Expectations
University of Michigan, monthly

Crude Oil Prices
USD/barrel, weekly average

Jan 13

Drivers of YoY Change in Consumer Prices
Keybridge calculations based on BLS data



* Transportation includes all series related to vehicles as well as airline fare, other intercity transportation, and intracity transportation. Housing includes rent, lodging, and equivalents, as well as household services (e.g., trash collection), related insurance, household equipment and furnishings, appliances, and housekeeping supplies.

Keybridge Economic Pulse

Updated: January 19, 2023

KEYBRIDGE Public Policy Economics

U.S. Regions

Regional Update | Job openings exceed unemployed workers by a factor of two or more in 29 states, and unemployment rates are below 4% in 32 states – both signs of lingering labor market tightness. Meanwhile, the share of adults reporting difficulty affording their usual household expenses continues to vary widely by state.

Difficulty Paying for Usual Household Expenses

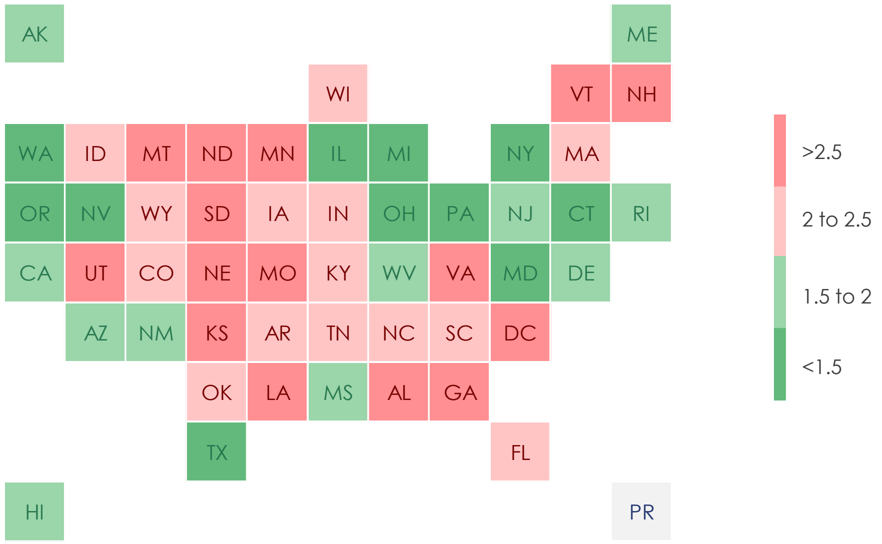
Census Bureau, percentage of adults during seven-day period

	MS	LA	GA	WY	NV	AK	MN	CO	MD	DC
Rank	*51*	*50*	*49*	*48*	*47*	*5*	*4*	*3*	*2*	*1*
	53.1%	50.5%	46.9%	45.9%	45.9%	32.3%	32.2%	31.0%	30.4%	28.3%

← *More difficulty* | *Less difficulty* →

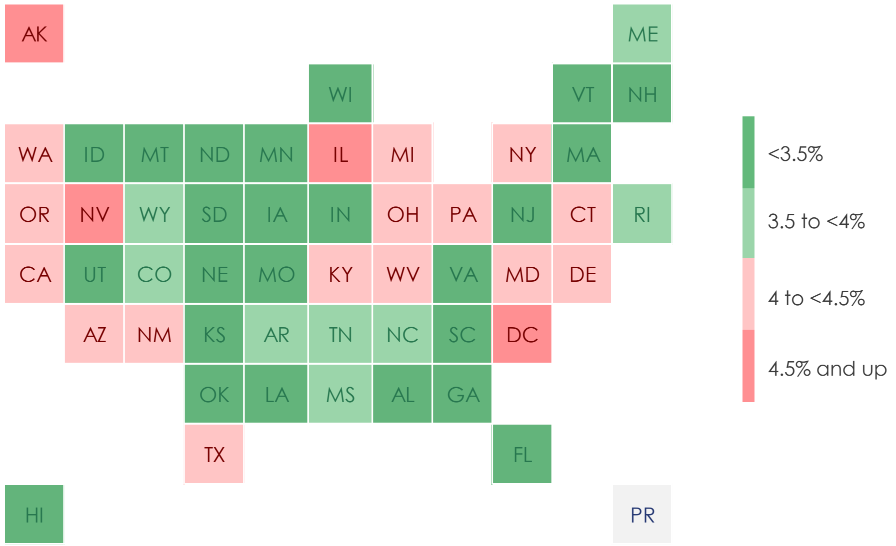
Job Openings per Unemployed Worker

Bureau of Labor Statistics, seasonally adjusted



Unemployment Rates

Bureau of Labor Statistics, seasonally adjusted



About This Report

The Keybridge Economic Pulse is intended to provide a snapshot of where the U.S. economy currently stands, based on the collective evaluation of a mix of high-frequency, alternative, and traditional indicators of economic activity. It is intended to provide a quick explanation of how the U.S. economy is faring at present and identify emerging areas of opportunity (or risk) for businesses in the current economic environment.

The data tool was constructed around a few key needs and assumptions:

- **Regular evaluation of high-frequency data:** The economic downturn first associated with the spread of the coronavirus was the fastest in U.S. history, and the slope of the recovery has been changing on a daily or weekly basis. Although traditional economic indicators like the unemployment rate, quarterly GDP growth, or industrial production still provide the most accurate read of how the economy is faring, the lag between data collection and release and backward-looking nature of these measures does not allow for an evaluation of the economy as it stands right now, which may be very different from how it looked a month (or even a couple of weeks) ago.
- **Qualitative assessment of quantitative measures:** The Economic Pulse provides qualitative commentary on current quantitative measures. It also summarizes the latest developments across several key interest areas and flags, where appropriate, critical opportunities (or risks).
- **State-by-state trends:** From the state of the pandemic to measures of employment and consumer finances, different U.S. regions have had markedly different experiences. The final page of the report collects a set of the most relevant and interesting indicators at a state-by-state level, allowing for side-by-side comparison of individual states across multiple measures.