

MONDAY ECONOMIC REPORT



Inflation Weighs on Consumer Spending

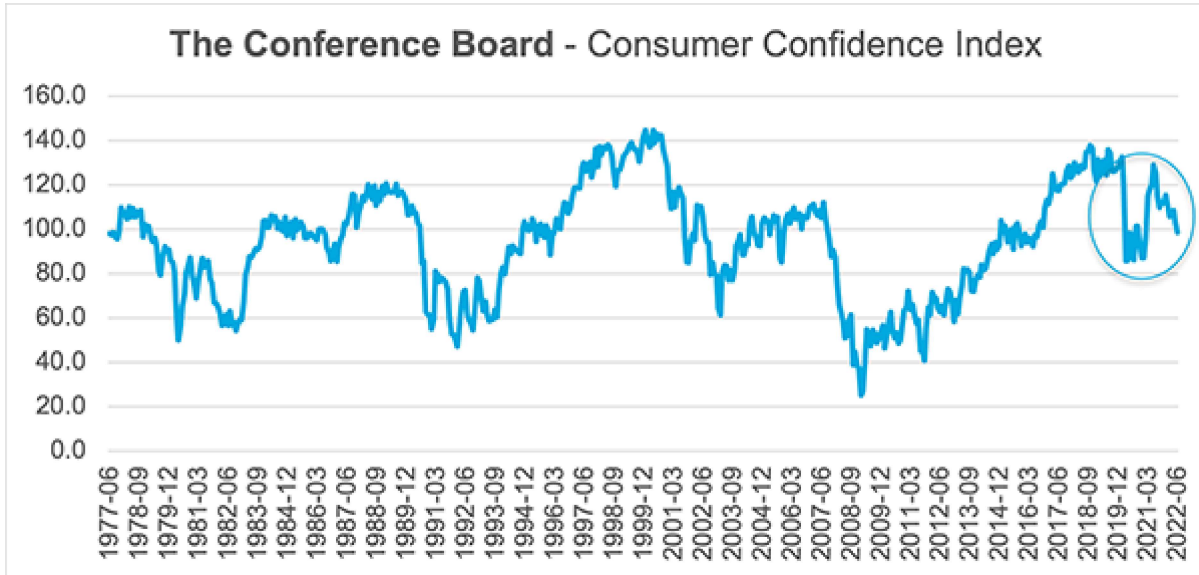
July 11, 2022

The Weekly Toplines

- [PCE inflation](#) remained stable at 6.3% year-over-year in May. Core PCE, the Federal Reserve's preferred measure, eased slightly from 4.9% to 4.7%. However, gas price and food price inflation, which is driven largely by external factors, such as the continuation of the war in Ukraine, continued to accelerate. Gas prices increased 35.8% year-over-year in May (30.5% in April), and food prices increased 11% year-over-year (10% in April).
- The [final GDP data for Q1](#) shows personal consumption expenditure growth slowing from 2.5% (quarter-over-quarter) annualized in Q4 2021 to 1.8% (down from a previous estimate of 3.1%) as inflation is affecting households' purchasing power. The impact of weaker consumer spending on GDP was offset largely by higher inventory buildup, limiting the GDP revision from -1.5% to -1.6%.
- [Consumer spending](#) has continued to weaken in recent months. Monthly personal consumer expenditure growth slowed to 0.2% in May (from 0.6% in April), as households' income could not keep pace with inflation, and supply chain disruptions still limited the range of available products. Durable goods spending was the most affected (-3.2%). In real terms, consumer expenditures declined 0.4% in May.
- [Consumers](#) are concerned increasingly about inflation, particularly rising gas and food prices. These concerns have pushed the Conference Board Consumer Confidence Index further down in June from 103.2 to 98.7. Consumer expectations for the next six months tumbled to their lowest level since March 2013.
- Despite a decrease in the number of [job openings](#) for the second month in a row to 11.3 million in May (11.7 million in April), the job market remains very strong with the number of [job openings per unemployed worker](#) still close to historical highs at 1.9. The largest decreases occurred in professional and business services and in manufacturing while openings continued to increase in retail trade and leisure and hospitality. Hires and separations were largely unchanged.
- The strength of the labor market was confirmed by the June [employment situation](#), which showed the U.S. economy added 372,000 jobs in June, and unemployment remained stable at 3.6%.
- [Shipments and new orders for manufactured durable goods](#) remained strong in May (at +1.2% and +0.7%, respectively). Despite weaker consumer spending, businesses continue to rebuild inventories.
- The [June ISM[®] Manufacturing PMI[®]](#) contracted to 53% from 56.1% in May, indicating that the expansion continues but at a slower pace. New orders dropped 5.9

percentage points to 49.2%, signaling that the inventory rebuilding may have run its course.

- The Semiconductor Industry Association [released](#) the latest World Semiconductor Trade Statistics monthly global semiconductor sales numbers for May last Tuesday. While year-over-year monthly sales remained strong in May at 18%, they have decelerated throughout the year, indicating the semiconductor market is moving into a cyclical downturn. The question is to what degree will the macroeconomic headwinds described above weaken chip demand.



Editor's Note: Many thanks to Kirti Gupta, the chief economist at Qualcomm and her team, for compiling this week's Monday Economic Report.

Economic Indicators

Last Week's Indicators:
(Summaries Appear Below)

Monday, July 4
INDEPENDENCE DAY HOLIDAY

Tuesday, July 5
Factory Orders and Shipments

Wednesday, July 6
Job Openings and Labor Turnover Survey

Thursday, July 7
ADP National Employment Report
International Trade Report
Weekly Initial Unemployment Claims

Friday, July 8
BLS National Employment Report

This Week's Indicators:

Monday, July 11
None

Tuesday, July 12
NFIB Small Business Survey

Wednesday, July 13
Consumer Price Index

Thursday, July 14
Producer Price Index
Weekly Initial Unemployment Claims

Friday, July 15
Industrial Production
New York Fed Manufacturing Survey
Retail Sales
University of Michigan Consumer Sentiment

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