

MONDAY ECONOMIC REPORT



Consumer Prices Soar at Fastest Year-Over-Year Rate Since December 1981

By Chad Moutray – June 13, 2022

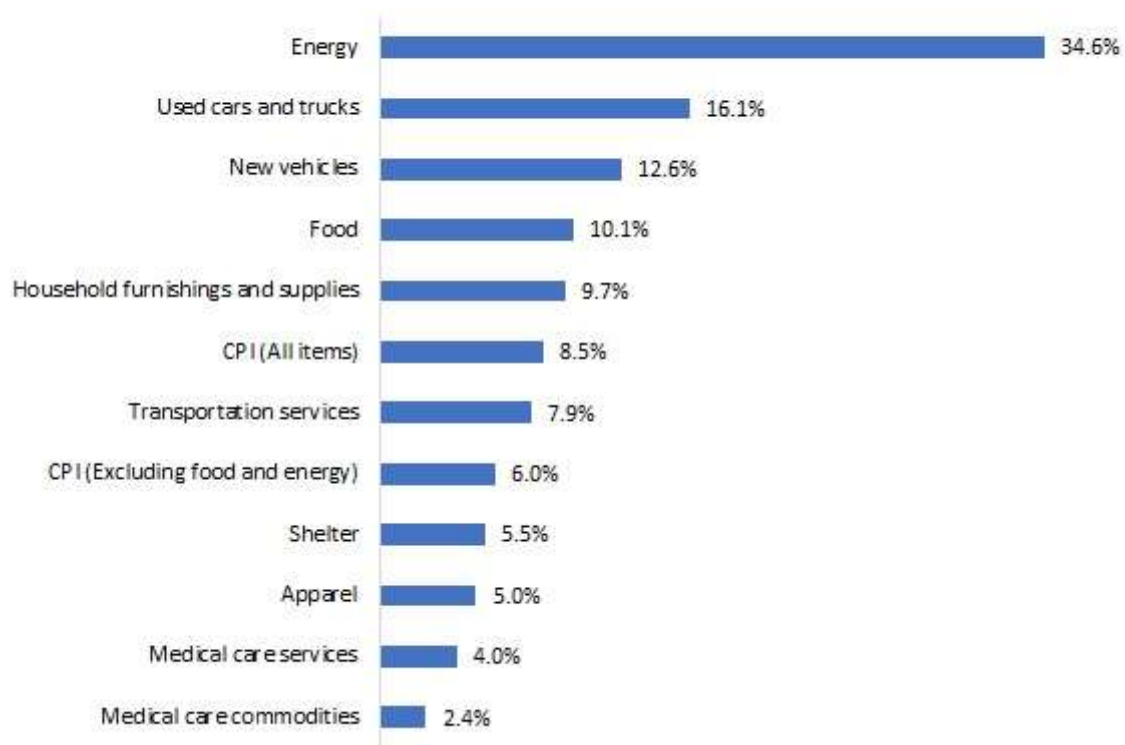
The Weekly Toplines

- [Consumer prices](#) rose 1.0% in May. Growth in food and energy costs remained very solid, up 1.2% and 3.9% in May, respectively, with gasoline prices up 4.1%. Excluding food and energy, core consumer prices rose 0.6% in May, the same pace as in April.
- The Consumer Price Index has risen 8.6% over the past 12 months, up from 8.3% in April and the fastest year-over-year pace since December 1981. At the same time, core inflation (which excludes food and energy) increased 6.0% year-over-year in May, down from 6.2% in April and 6.5% in March. Core inflation in March was the highest since August 1982.
- The current forecast is for year-over-year growth in the CPI to be 6.0% at year's end, with core inflation at 5.0%.
- These data will continue to put pressure on the Federal Reserve to act aggressively and decisively on inflation. The Federal Open Market Committee will raise the federal funds rate by 50 basis points at its meeting this week (June 14–15), and it will make similar moves at its July 26–27 and September 20–21 meetings.
- The [Index of Consumer Sentiment](#) plummeted from 58.4 in May to 50.2 in June, the lowest reading on record. Americans continued to worry about inflation, with lingering uncertainties related to the Russian invasion of Ukraine. This survey is highly correlated with gasoline prices, and with that measure [hitting all-time highs](#), it should not be a surprise that consumer confidence continues to fall.
- With that said, consumer spending has been largely resilient, and in April, [U.S. consumer credit outstanding](#) jumped 10.1% at the annual rate. Revolving credit, which includes credit cards and other credit lines, soared 19.6% in April. As such, Americans dramatically increased their willingness to take on new debt at the beginning of the year.
- Overall, U.S. consumer credit outstanding has risen 7.5% over the past 12 months, the strongest year-over-year reading since November 2011.
- The week ending June 4 saw 229,000 [initial unemployment claims](#), the highest since the week ending Jan. 15. These data have gradually trended higher since reaching 166,000 claims for the week ending March 19, which was the second-lowest reading in the history of the series and the lowest since Nov. 30, 1968. Even with initial claims

accelerating somewhat over the past three months, the data continue to reflect progress over the past year.

- At the same time, the week ending May 28 saw 1,306,000 continuing claims, the same pace as in the prior week and remaining the lowest level since the week ending Dec. 27, 1969.
- The [U.S. trade deficit](#) fell from a record \$107.65 billion in March to \$87.08 billion in April. These data have been skewed in recent months by supply chain disruptions, higher petroleum prices and stronger economic growth in the U.S. relative to other markets.
- The goods trade deficit pulled back from a record high, down from \$126.81 billion to \$107.74 billion, with goods exports soaring to new heights, up from \$170.04 billion to \$176.11 billion. Goods imports dropped from a record \$296.85 billion to \$283.84 billion.
- U.S.-manufactured goods exports totaled \$410.19 billion through the first four months of 2022, using non-seasonally adjusted data, soaring 15.55% from \$354.98 billion for the same time frame in 2021. Likewise, manufactured goods imports grew 19.76% year to date from \$754.88 billion in 2021 to \$904.07 billion in 2022.

Consumer Price Index, All Urban Consumers, May 2022
(Year-Over-Year Growth Rates by Major Category, Not Seasonally Adjusted)



Economic Indicators

Last Week's Indicators:

This Week's Indicators:

(Summaries Appear Below)

Monday, June 6

None

Tuesday, June 7

*Consumer Credit
International Trade Report*

Wednesday, June 8

None

Thursday, June 9

Weekly Initial Unemployment Claims

Friday, June 10

*Consumer Price Index
University of Michigan Consumer Sentiment*

Monday, June 13

None

Tuesday, June 14

*NFIB Small Business Survey
Producer Price Index*

Wednesday, June 15

*FOMC Monetary Policy Statement
NAHB Housing Market Index
NAM Manufacturers' Outlook Survey
New York Fed Manufacturing Survey
Retail Sales*

Thursday, June 16

*Housing Starts and Permits
Philadelphia Fed Manufacturing Survey
Weekly Initial Unemployment Claims*

Friday, June 17

*Conference Board Leading Indicators
Industrial Production
State Employment Report*

Deeper Dive

- **Consumer Credit:** U.S. consumer credit outstanding jumped 10.1% at the annual rate in April, down from 12.7% in March but remaining a very solid reading. Revolving credit, which includes credit cards and other credit lines, soared 19.6% in April. As such, Americans dramatically increased their willingness to take on new debt at the beginning of the year, which could result in increased spending. Indeed, revolving credit has risen 13.1% over the past 12 months. More importantly, revolving credit has finally returned to pre-pandemic levels, up 0.3% from February 2020 levels.

Meanwhile, nonrevolving credit, which includes auto and student loans, increased 7.1% in April, off from 7.6% in March. On a year-over-year basis, nonrevolving credit has increased 5.8%. Overall, U.S. consumer credit outstanding has risen 7.5% over the past 12 months, the strongest year-over-year reading since November 2011.

- **Consumer Price Index:** Consumer prices rose 1.0% in May, rebounding from the 0.3% gain in April. Growth in food and energy costs remained very solid, up 1.2% and 3.9% in May, respectively, with gasoline prices up 4.1%. Excluding food and energy, core consumer prices rose 0.6% in May, the same pace as in April. Prices for used cars and trucks (up 1.8%), transportation services (up 1.3%), new vehicles (up 1.0%), apparel (up 0.7%) and shelter (up 0.6%) rose sharply in May, elevating core inflation for the month.

The Consumer Price Index has risen 8.6% over the past 12 months, up from 8.3% in April and the fastest year-over-year pace since December 1981. At the same time, core inflation (which excludes food and energy) increased 6.0% year-over-year in May, down from 6.2% in April and 6.5% in March. Core inflation in March was the highest since August 1982.

Overall, price pressures for consumers are likely to remain extremely elevated over

the coming months, with strong growth for food and energy costs and lingering supply chain headwinds. The easing of year-over-year growth rates in the latest core inflation data offered some comfort, and with more favorable comparison months moving forward, core price growth on a year-over-year basis should continue to moderate somewhat, while remaining very elevated. The current forecast is for year-over-year growth in the CPI to be 6.0% at year's end, with core inflation at 5.0%.

These data will continue to put pressure on the Federal Reserve to act aggressively and decisively on inflation. The Federal Open Market Committee will raise the federal funds rate by 50 basis points at its meeting this week (June 14–15), and it will make similar moves at its July 26–27 and September 20–21 meetings. In addition, the Federal Reserve has begun to reduce the size of its balance sheet, which should also put upward pressure on interest rates.

For right now at least, the FOMC is more worried about inflation than economic growth, but as it slows demand to cool pricing pressures, the Federal Reserve is also mindful of the risk of overshooting and slowing the economy too much. Businesses and financial markets are keenly aware of that risk.

- **International Trade Report:** The U.S. trade deficit fell from a record \$107.65 billion in March to \$87.08 billion in April. These data have been skewed in recent months by supply chain disruptions, higher petroleum prices and stronger economic growth in the U.S. relative to other markets. The goods trade deficit pulled back from a record high, down from \$126.81 billion to \$107.74 billion, with goods exports soaring to new heights, up from \$170.04 billion to \$176.11 billion. Goods imports dropped from a record \$296.85 billion to \$283.84 billion. At the same time, the service-sector trade surplus increased from \$19.16 billion to \$20.66 billion.

In April, goods exports increased across the board, led by strength in industrial supplies and materials (up \$2.30 billion), foods, feeds and beverages (up \$2.19 billion) and non-automotive capital goods (up \$1.24 billion). This includes solid export growth for civilian aircraft, energy commodities and soybeans.

Meanwhile, very sizable decreases occurred across the board for goods imports, with tremendous volatility in recent months. The largest declines in goods imports included consumer goods (down \$6.33 billion), industrial supplies and materials (down \$5.34 billion) and non-automotive capital goods (down \$2.58 billion). This included large declines for computers and accessories, finished metal shapes and various consumer items, among others.

U.S.-manufactured goods exports totaled \$410.19 billion through the first four months of 2022, using non-seasonally adjusted data, soaring 15.55% from \$354.98 billion for the same time frame in 2021. Likewise, manufactured goods imports grew 19.76% year to date from \$754.88 billion in 2021 to \$904.07 billion in 2022.

- **University of Michigan Consumer Sentiment (Preliminary):** The Index of Consumer Sentiment plummeted from 58.4 in May to 50.2 in June, the lowest reading on record, according to preliminary data from the University of Michigan and Thomson Reuters. More precisely, the statement says that the current value is roughly “comparable to the trough reached in the middle of the 1980 recession.” The decline in future-oriented economic conditions was the largest on record. Americans continued to worry about inflation, with lingering uncertainties related to the Russian invasion of Ukraine. This survey is highly correlated with gasoline prices, and with that

measure [hitting all-time highs](#), it should not be a surprise that consumer confidence continues to fall. Final data will be released on June 24.

- **[Weekly Initial Unemployment Claims](#)**: The week ending June 4 saw 229,000 initial unemployment claims, up from 202,000 for the week ending May 28 and the highest since the week ending Jan. 15. These data have gradually trended higher since reaching 166,000 claims for the week ending March 19, which was the second-lowest reading in the history of the series and the lowest since Nov. 30, 1968. Even with initial claims accelerating somewhat over the past three months, the data continue to reflect progress over the past year.

At the same time, the week ending May 28 saw 1,306,000 continuing claims, the same pace as in the prior week and remaining the lowest level since the week ending Dec. 27, 1969.

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