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December 5, 2022 – Economic Commentary

The US economy continues its steadfast march to the end of the year, with few signs of weakening consumer spending and a still strong labor market. Activity in the service sector appears to have taken an unexpected positive jump in November, as holiday-driven expenditures are being served by a service sector that is much more "open" than it was this time last year. Additionally, although consumers are said to be exhibiting care when it comes to bigger ticket durable goods, healthy supplies of products this year have encouraged aggressive sales promotions and discounts, further bolstering spending. Against this backdrop, the Federal Reserve is inclined to keep raising interest rates, albeit at a slower pace, as indicated by Federal Reserve Chairman Powell. Increasingly, economists and investors are focused on 2023 and speculation as to when the US economy finally slows down in response to interest rates that are likely to rise throughout the first quarter of 2023 and remain elevated over the course of the year. In contrast to the US, the economic situation in Europe, Britain and China is demanding a much more near-term focus on deteriorating economic conditions, introducing considerable uncertainty into the path for fiscal policy in particular and potentially monetary policy as well.

Data to Watch:

1. US Balance of Trade for October, released Tuesday, Dec. 6
2. US Producer Price Index (PPI) for November, released Friday, Dec. 9
3. Speech by European Central Bank President Lagarde, Thursday, Dec. 8

Suggested Reading:

Cash-Hungry Companies Get Creative Raising Capital

Why are Middle-Aged Men Missing from the Labor Market?

Oil Tankers Seen Heading to Russia as Oil Price Cap Goes into Effect on Exports