Consumers Expect More Inflation, US Ports Set Retail Import Record, Wholesale Activity Rises

By Lou Hirsh

Consumers Expect More Inflation

American households are bracing for high inflation to persist in the coming year as they reduce expectations for home price appreciation, according to the latest monthly survey by the Federal Reserve Bank of New York.

Consumers expect inflation to remain historically high at 6.8% a year from now, up from the median 6.6% prediction in the month-earlier survey, according to results of the New York Fed's June internet survey of approximately 1,300 U.S. households, released Monday.

This comes as the U.S. Federal Reserve has been raising its key lending interest rate in a bid to reduce inflation from the 40-year high of 8.6% reached in May. The Fed has indicated it plans to continue raising rates until inflation is closer to 2%. Rising rates affect most types of commercial and residential borrowing, figuring into consumer confidence about finances.

Researchers at the New York Fed's Center for Microeconomic Data said its June survey found consumers more pessimistic than in May about their ability to obtain credit, with the average perceived probability of missing a debt payment in the next three months now at 11.3%, the highest since May 2020 and comparable to pre-pandemic February 2020.

Respondents to the June survey expected home prices to rise by a median 4.4% in the coming year, down from the 5.8% in the May survey. Despite general pessimism, the survey showed a rise in expectations for household income growth in the coming year, now at a median of 3.2%, and respondents for the sixth consecutive month predicted labor earnings growth of 3% in the year ahead.

US Ports Set Retail Import Record

Retailers are closely watching what's been a steady improvement from pandemic supply chain disruptions after major U.S. ports set a monthly record for retail cargo volume.

Ports nationwide handled the equivalent of 2.4 million 20-foot containers in May, the latest month for which final numbers are available, according to the Global Port Tracker report released July 8 by the National Retail Federation trade group and consulting firm Hackett Associates.

The report projects June's total will be 2.25 million containers, which would be up 4.8% from June 2021 and bring the first-half 2022 total to 13.5 million, a 5.4% rise from the year-earlier period. "Cargo volume is expected to remain high as we head into the peak shipping season, and it is essential that all ports continue to operate with minimal disruption," Jonathan Gold, the trade group's vice president for supply chain and customs policy, said in a statement.

The national data was released as talks went on between West Coast port officials and two dockworkers unions, the International Longshore and Warehouse Union and the Pacific Maritime Association, after the current contract with the ports expired July 1. The unions represent approximately 22,000 workers at Los Angeles and 28 other West Coast ports.

"Congestion of ships waiting to berth on the West Coast has eased, and we expect to see the same on the East Coast as carriers begin to return to their normal patterns of port calls," Hackett Associates founder Ben Hackett said in the retail trade group's statement. "After a short period of decline, freight rates are on the rise again as congestion in Europe and idle vessels there take capacity out of circulation."

Wholesale Activity Rises

Revised May trade numbers from the Commerce Department generally convey steady fundamentals for real estate demand as the supply chain recovers, with wholesale trade rising as the nation's international trade deficit declined from the prior month.

Sales by merchant wholesalers totaled $696 billion in May, rising 0.5% from the revised April level and increasing 20.9% from revised May 2021 figures, the department reported July 8. Wholesale inventories totaled $878.6 billion at the end of May, up 1.8% from the prior month and rising 24.7% from the year-earlier level.

The Commerce Department reported July 7 that the nation's international goods and services deficit was $85.5 billion in May, down $1.1 billion from April's revised $86.7 billion. The deficit trimming was aided by a $3 billion monthly rise in exports, to $255.9 billion, as exports contribute to the nation's gross national product.

There may still be more room for improvement as lingering pandemic disruptions and price hikes abate. Year-to-date through the end of May, the goods and services deficit of nearly $456 billion was more than 38% higher than for the same time in 2021.