First Quarter 2022 Economic Summary and Outlook

The U.S. economy shrank 1.5% in the first quarter of 2022 following growth of 6.9% in the fourth quarter, according to the Bureau of Economic Analysis. Growth for the second quarter is likely to be positive but may fall below 1%. There is talk of a pending recession later in the year but very slow growth is more likely. Nevertheless, the combined impact of higher rates of inflation and falling real disposable income will continue to take a toll on spending and asset values. Real disposable income fell 7.76% in the first quarter following a decline of 4.5% in the fourth quarter. The stock market, a leading indicator of economic activity, is now in bear market territory and consumer confidence measured by the University of Michigan Survey of Consumers is at a decade low. Households are especially hard hit by rising food and energy prices. The saving rate has already dipped to 5.6% from 7.9% in the prior quarter.

The labor market continues to be strong with unemployment steady at 3.6% in May. Approximately six million unemployed workers are looking for work and the participation rate is stable at 62.3%. The unemployment rate and number of unemployed is comparable to conditions prior to the COVID shutdown. Average hourly earnings increased 5.2% over the past year but did not keep up with inflation. Overall, unit labor costs gained 8.2% over the past 12 months, which is the largest increase since 1982. Rising unit labor costs squeeze business profit margins unless costs can be passed along in higher prices. Concerns are growing that the tight labor market may generate a wage-price spiral and accelerating inflation.

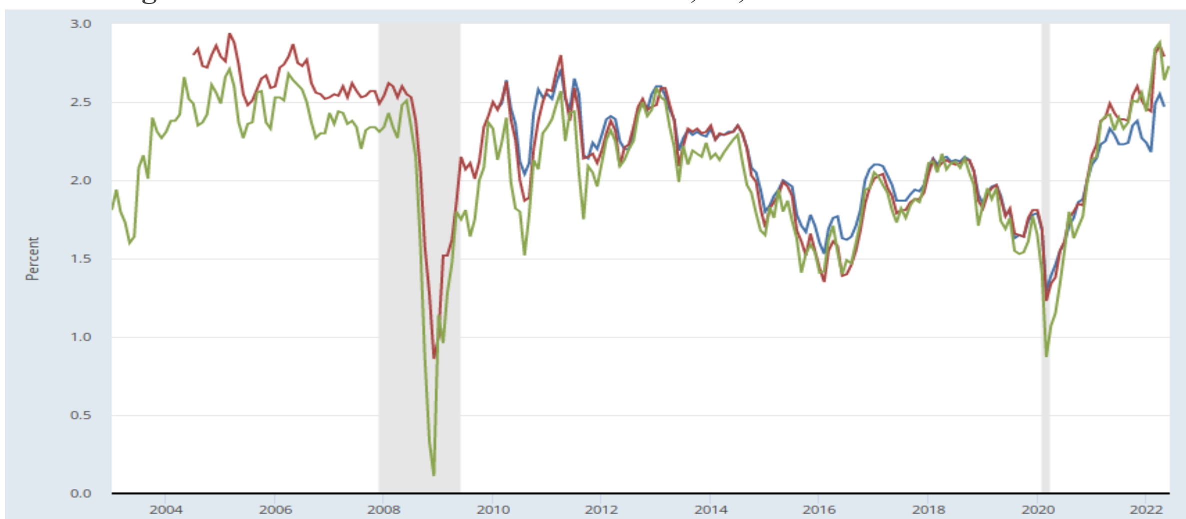
Both the consumer price index (CPI) and personal consumption expenditure (PCE) inflation measures are reaching forty year highs. Inflation pressures have been building since the economy began to open up early in 2021 following massive fiscal and monetary stimulus linked to COVID shutdown relief. Efforts to backtrack on monetary stimulus may now need to be extreme to slow inflation. The Fed is expected to raise the Fed Fund rate in both June and July by 50 basis points, resulting in a 1.75% to 2% range by August. The Fed will then likely pause to evaluate the ultimate impact of the rate hikes, but additional increases seem inevitable. A neutral Fed Fund rate is generally believed to be about 2.5%, suggesting that the Fed must go higher than that to cool inflation. The Fed may receive help if policymakers allow a return to energy independence and promote more domestic energy production to meet demand. The demand for oil is relatively price inelastic in the near term, leaving only an increase in supply as an answer to rising oil prices in the near term. Such a return to energy independence through pipeline construction, regulatory reform, and expansion of drilling leases will depend on the outcome of upcoming elections.

Long term interest rates have been very slow to adjust to inflation expectations. The "breakeven" inflation rates, which are market derived estimates of expected inflation premiums, are less than 3% for maturities ranging from ten to thirty years. Once higher longer term inflation pressures are built into expectations, long term rates may increase significantly. For this reason, market analysts are paying very close attention to the persistence of inflation and the ability of policy initiatives to curb longer term price pressures. To keep long term interest rates from climbing and hurting longer term economic growth, the Fed may need to be much more aggressive later in the year if inflation does not subside. This scenario is consistent with a shorter term recession later in 2022 or early 2023. While less extreme, the current situation facing policy makers is similar to the early 1980s leading up to the 1982 recession.

Long Run Inflation Expectations – Will they Remain Low?

According to numerous surveys, inflation is the number one economic issue for most people. Nevertheless, longer run expectations of inflation continue to be modest when analyzing security pricing. The nominal rate on a risk-free Treasury bond equals a real rate determined by supply and demand as well as an expected inflation premium. The spread between a Treasury Constant Maturity Security and Treasury Inflation-indexed Constant Maturity security represents a breakeven inflation rate where the real rate of return on each security is equal. This spread is known as the breakeven inflation rate that must be earned on a comparable Treasury security that is not inflation protected. For example, the expected inflation rate for the next 10 year period is derived by the difference on a 10-Year Treasury Constant Maturity Securities and a 10-Year Treasury Inflation-Indexed Constant Maturity Security. Figure 1 illustrates the breakeven inflation rates over time for the 30, 20, and 10 year maturities The breakeven inflation rate has not exceeded 3% in the last twenty years and many investors have never experienced the current market conditions with respect to inflation and a bear stock market.

Figure 1. Breakeven Inflation Rates for 30, 20, and 10 Year Maturities



Source: Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/T30YIEM (T20YIEM, T10YIEM).

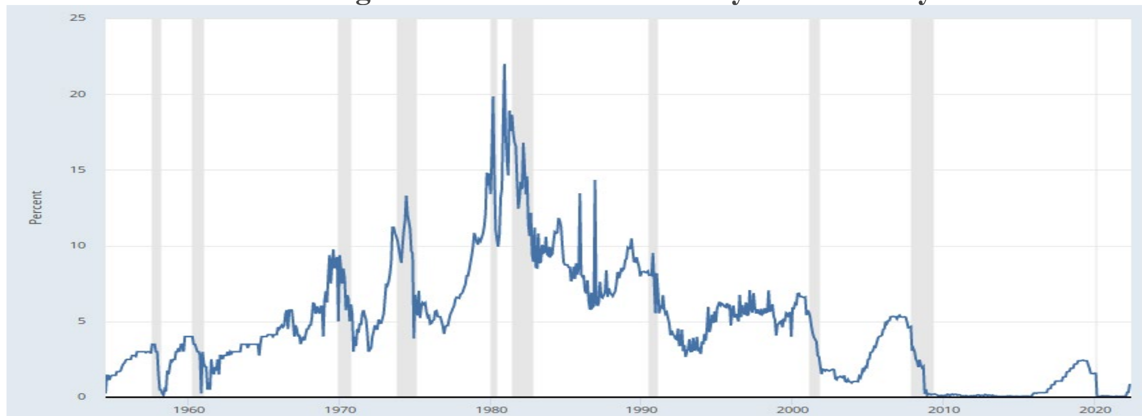
30 year breakeven inflation rate
20 year breakeven inflation rate
10 year breakeven inflation rate

Breakeven inflation rates remain below 3% for all maturities in Figure 1 and are now only slightly above the levels set in the pre and post-COVID shutdown periods. While inflation expectations may pick up going forward, current pricing of longer term securities have only modest expected inflation premiums. Longer term inflation expectations are slow to change but once expectations rise it becomes much more difficult to bring price levels down. If inflation lingers and combined monetary and fiscal policies are not up to the task of moderating inflation pressures, the expected inflation premiums will rise significantly driving longer term yields and mortgage rates much higher. The housing market is already cooling with rather modest increases in mortgage rates to about 5.5%. Durable good purchases have been driven by pent up demand from COVID and a "buy ahead of future price increases" mentality. Eventually, higher interest rates will dampen durable good purchases and significantly endanger growth.

Fed Policy – How High will Fed Fund Rates Go to Quell Inflation?

Figure 2 illustrates the history of the Fed Fund Rate. From a long term perspective, the Fed Fund rates in the post-2009 recession were unusually low. The history also illustrates spikes in the Fed Fund Rate in the early 1980s in response to stagflation. These 1980s spikes are linked to former Fed Chair Paul Volcker who engineered modern Fed Policy of targeting inflation with a view that the best way to bring interest rates lower and stimulate the economy is to bring down inflation, even if that means high Fed Fund rates in the process. A failure to act quickly leads to spiraling inflation expectations that drive long term rates up. These expectations take time and are not easy to change without economic slowdowns.

Figure 2. Fed Fund Rate Sixty Year History



Source: Board of Governors, Federal reserve Bank of St. Louis (FRED)

The Fed has a dual mandate of full employment and stable prices. The focus is now shifting to fighting inflation, which will require significant increases in the Fed Fund rate. The minutes from the May FOMC meeting suggest that the Fed will be aggressive in hiking rates and then take a breather to see if inflation moderates without hurting the labor market and growth. The Fed has been very slow in addressing inflation issues so far, but will likely follow the 50 basis point increase in May with similar increases in June and July. No one knows for sure how far the Fed will need to go with rate hikes but gradualism approaches of the past with small increases is not likely to be part of the plan now. A generally accepted view is that a neutral rate Fed Fund rate is 2.4% and it takes rates higher than that to combat inflation.

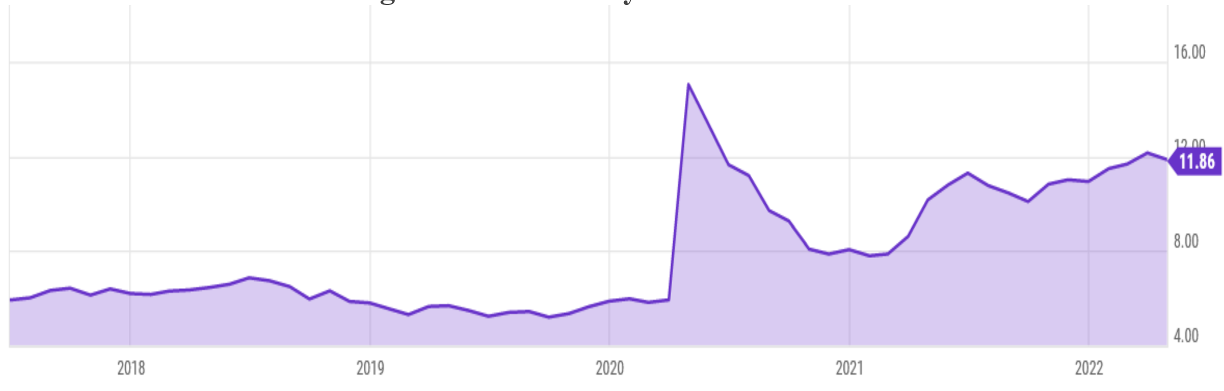
The Misery Index – How High Will It Go?

Economists regularly focus on inflation, GDP, unemployment rates, and consumer spending measures of economic performance. The Misery Index is a less well known measure of how well the average person is doing. Economist Arthur Okun proposed adding the seasonally adjusted unemployment rate to the annual inflation rate to create the Misery Index. While the ideal level of the index is not well defined, index levels between 6% and 7% have generally been viewed as a goal. For example, if unemployment is 4% and inflation is 2.5% the Misery index would be 6.5%.

The Misery Index represents a tradeoff between unemployment and inflation. Within limits, higher unemployment is more acceptable when inflation is low. The worst case scenario is when both unemployment and inflation are high, leading to a high Misery Index. The Misery Index is

simplistic and can be enhanced by adding other measures, but it has been used as a predictor of crime, poverty, suicide rates, and elections. Figure 3 below from YCharts illustrates how the Misery Index changed over time. Currently, the Misery Index is 11.86 based on unemployment of 3.6% and inflation of 8.26%, according to YCharts.

Figure 3. The Misery Index since 2017



Source: https://ycharts.com/indicators/us_misery_index

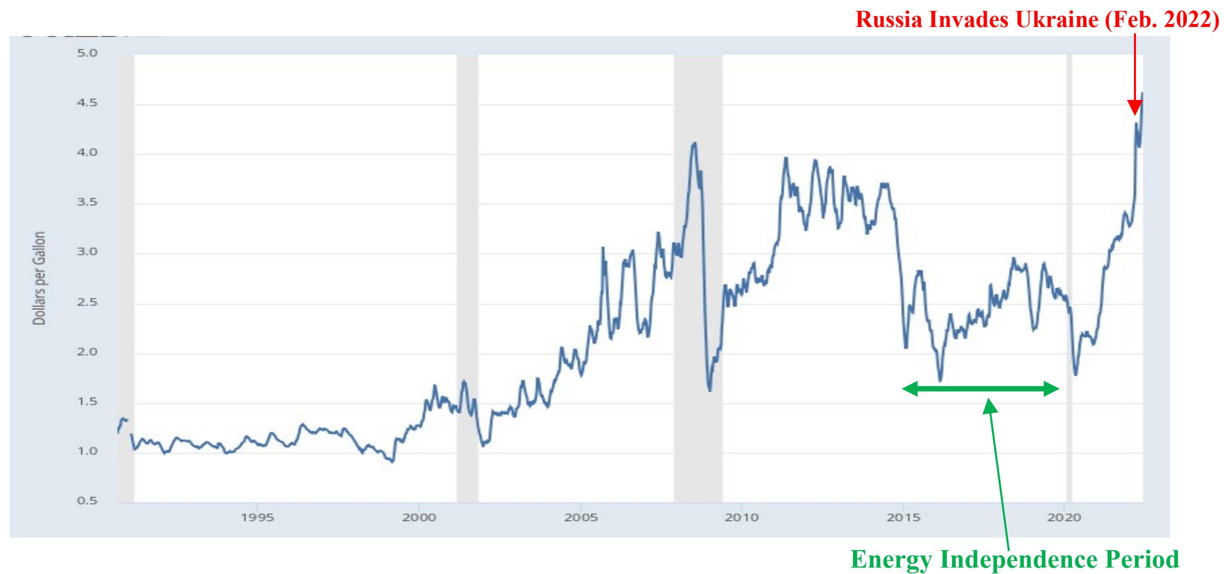
Low Growth and High Inflation in a Feel Good Transition Economy?

As the mid-term elections near there may be a mounting emphasis on an "economy-in-transition" as the explanation for low growth and high inflation. The transient economy hypothesis rests on a view that it will take time to remake a greener economy without fossil fuel and development of alternative energy sources depends on high oil prices. Electric cars are already on line to replace gasoline powered cars in seven years. In the meantime, it will require very high gas prices to create an umbrella for more costly energy sources to thrive and eventually replace fossil fuel sourcs. Major changes in the energy grid and electric generation and distribution systems are required with high initial investments and public spending. At the same time, globalism will provide a united front on efforts to reverse climate change, address health issues, and promote a social agenda. Ultlimately, the transition to the new economy will cause disruptions for growth and will spur inflation, especially in the energy sector. Proponents of the economy-in-transition argument believe that blame for slow growth and high inflation may be deflected if people feel good about the promises of a new form of social capitalism with more of a focus on social issues.

Putin Gasoline Tax?

The invasioin of Ukraine by Russia represents a major crisis from humanitarian, political, and economic perspectives. With respect to the economy, subsequent sanctions on Russia disrupted the global supply of oil and have been used to explain the high and rising costs of gasoline to U.S. consumers. This claim falls into a category of "never let a good crisis go to waste." High gas prices have been called "Putin's Tax" by the current administration. The data show that gas prices and inflation in general posted large increases and trended up well in advance of Russia's invasion in February of 2021. Figure 4 below illustrates the timing of rising gasoline prices and the Russian invasion.

Figure 4. Regular Gasoline Prices (All Formulations)



Source: U. S. Energy Information Administration, retrieved from FRED, Federal Reserve Bank of St. Louis

The energy independence period noted in green in the figure above occurred when the U.S. produced enough oil to meet domestic needs without dependence on foreign oil. This period ended in 2020 just as the economy shutdown. When demand for oil increased in the reopening period the price of gasoline increased, as would be expected in a supply and demand analysis. The additional disruptions due to the Russian invasion of Ukraine occurred well after the rise in inflation and gas prices. The implication of this relationship is that a return to energy independence is an answer to the high prices of gasoline, rather than pointing to an event that is not under U.S. control.

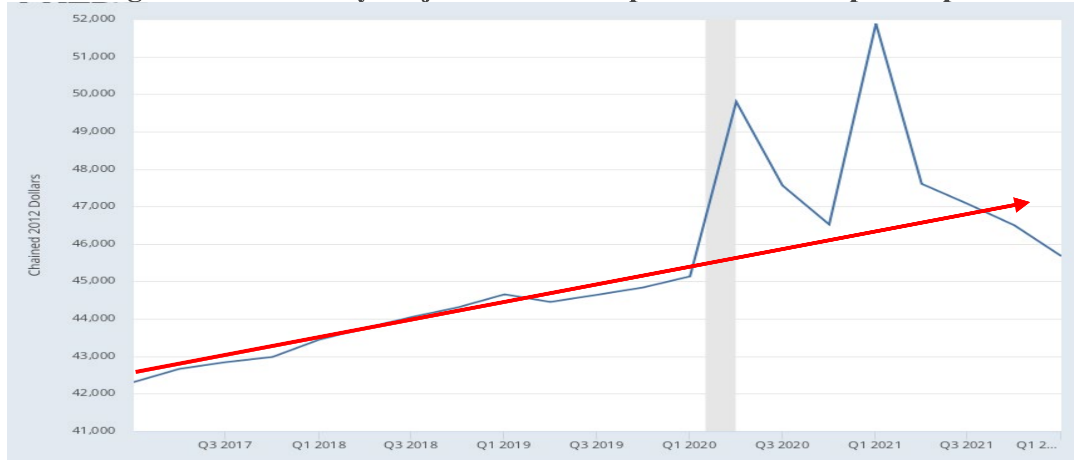
Summary of Recent Economic Data Releases

***GDP –** The economy contracted 1.5% in the first quarter of 2022 following growth of 6.9% in the fourth quarter of 2021, according to the revised Bureau of Economic Analysis (BEA) estimate. First quarter economic performance suffered from a large decline in the trade account along with reductions in both inventory investment and government spending for pandemic assistance. Overall, spending growth slowed due to falling real disposable income of households. The saving rate fell from 7.9% to 5.6% in the first quarter as households felt pressures from higher costs of living. Technically, a decline in second quarter growth would qualify as a recession, but preliminary estimates suggest growth will be positive. While a recession is not inevitable, odds favor a downturn later in the year due to tight credit, higher interest rates, falling disposable income and high, continued global disruptions, and inflation linked to rising food and energy costs.*

- While real GDP declined 1.5% in the first quarter, households experienced an even greater decline in spendable income. Real disposable personal income per capita declined 6.7% in the first quarter of 2022 after falling 4.5% in the fourth quarter of 2021. Per capita

disposable income measures the amount of money available to either spend or save per person. It is the best indicator of prosperity in an economy. As Figure 5 illustrates, real disposable income spiked twice after the shutdown but it is now retreating below the longer term trend (red line).

Figure 5. Seasonally Adjusted Real Disposable Income per Capita



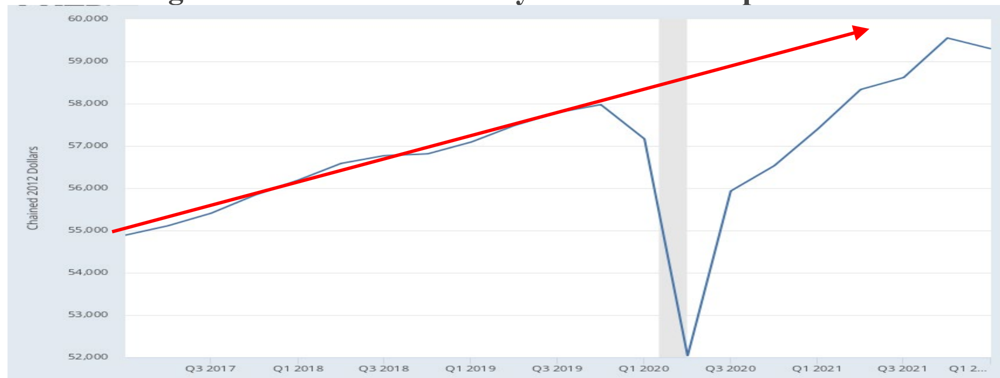
Source: Bureau of Economic Analysis, Federal Reserve Bank St. Louis, FRED

- In response to lower real income, the saving rate fell to 5.6% from 7.9% in the prior quarter as food and energy took a bigger chunk of household budgets.

- Corporate profits from current production fell 2.3% (not annualized) in the first quarter of 2022 following a .7% gain at a quarterly rate in the fourth quarter. Profit margins are shrinking as costs rise faster than product prices.

- On a per capita basis, U. S. GDP fell to $59,297 in the first quarter using price adjusted dollars. Figure 6 illustrates the path of per capital GDP for the U. S. over the past five years. Prior to the disappointing first quarter growth, the economy returned to the trend line of per capita growth (red line in Figure 6).

Figure 6. Five Year History of U. S. Per Capita GDP



Source: Bureau of Economic Analysis, Federal Reserve Bank of St. Louis (FRED)

- Retail sales increased 0.9% in April following a 1.4% gain in March, largely due to auto purchases. Year-over-year sales growth was 8.2%. Sales growth is explained in part by

purchases in advance of expected higher prices in the future and consumers dipping into savings.

- The drag from growing public debt continues to pose a threat to future economic growth, especially as interest rates rise and the cost of servicing the debt increases. On a per capita basis, U.S. public debt per capita reached $89,040 at the end of 2021. The per capita debt burden per person grew 6.53% in 2021 based on the data reported in the FRED database of the St. Louis Federal Reserve Bank.

Production and Manufacturing – *The economy is edging closer to full employment levels of capacity utilization, which may now be lower in the post-COVID economy. The Industrial Production Index posted healthy gains in both March and April. Looking forward, the ISM manufacturing index slipped in March and April, suggesting slower manufacturing growth in future quarters. The index remains above a threshold of 50 where a contraction tends to occur but the margin is getting slim.*

- Capacity utilization in the U. S. reached 78.99% in April, which is the highest utilization rate since December of 2018. Figure 7 illustrates changes in capacity utilization over time. The manufacturing utilization rate reached 79.2% in April, which is the highest rate since April 2007. When utilization rates are considered in conjunction with a 3.6% unemployment rate, the economy is likely to be at or near full employment. Any additional stimulation from either monetary or fiscal policy would fuel even higher inflation rather than real production.

Figure 7. Industrial Capacity Utilization in the U. S. Economy

Source: Board of Governors of the Federal Reserve, Federal Reserve Bank of St. Louis (FRED)

- The Industrial Production Index in the United States increased 6.4% year-over-year in April of 2022. Manufacturing output rose 5.8%, utilities 7.5% and mining 8.6% Figure 8 illustrates the movement of the index in the pre and post-COVID period. The index now exceeds the pre-COVID level as producers are catching up to losses in production during the shutdown.

Figure 8. Industrial Production Index (Index 1982-1984=100, Seasonally Adjusted)

Source: Board of Governors of the Federal Reserve, Federal Reserve Bank of St. Louis (FRED)

- The ISM manufacturing index fell to 55.4 in March from 57.1 in April. New orders and production edged lower. The employment index also fell from 56.3 to 50.9. The index remains above the neutral threshold of 50 but growth in manufacturing is slowing.

***Labor Market and Employment** – The labor market remains strong with job gains and low unemployment of 3.6%. Nevertheless, unit labor costs are rising rapidly creating a potential wage-cost spiral in inflation as costs build. While energy and food prices currently play a large role in inflation pressures, the potential for a wage-cost spiral may have longer lasting consequences that make it more painful to tame inflation. The balance of full employment and stable prices becomes more difficult once inflation takes hold.*

- The unemployment rate remained at 3.6% in May for the third month in a row. The Bureau of Labor Statistics also reported that nonfarm employment jobs increased by 390,000 in April. The number of available jobs fell by 455,000. Even so, there are 11.4 million job openings to be filled.

- The number of unemployed persons remained unchanged in May. The unemployment rate of 3.6% and 6.0 million unemployed are now approximately the same as in the pre-COVID economy where the unemployment rate was 3.5% and the number of unemployed was 5.7 million.

- Average hourly earnings for all employees on private nonfarm payrolls increased by 0.3% to $31.95 in May. Over the past 12 month period, average hourly earnings increased by 5.2%. While wage gains look attractive, wages are growing well below the 8% inflation rate over the same period, resulting in falling real wages.

- The Labor Force Participation Rate remains stable at 62.3%. The participation rate is 1.1% below the February 2020 level.

- For the first quarter of 2022 output fell 2.3% while hours worked increased 5.4%, resulting in a decline of labor productivity of 7.3%. The decline in first quarter productivity is the largest since the third quarter of 1947.

- Unit labor costs is a measure of how much it costs to pay workers to produce one unit of output. Unit labor costs increased 12.6% in the first quarter of 2022. Over the last four quarters, unit labor costs increased 8.2%. The rise in unit labor cost over the last four quarters is the largest since the 1982. Rising unit labor costs will squeeze corporate profit margins unless firms can pass costs along with higher prices. Normally, there is a lag in the increase in output prices after unit costs rise. If so in this case, inflation may have room to build.

***Inflation** – Inflation pressures continue to build in the food and energy sectors while the final goods component of the producer price index is moderating. Overall, consumers are seeing inflation take a large bite out of real disposable income. On a year-ago basis the headline and core Consumer Price Index measures were 8.3% and 6.2%, respectively. Even if inflation has peaked at 8% on an annual basis, the Federal Reserve is set to raise short term interest rates throughout 2022, which will threaten growth going forward. Currently, the Fed has set a 75 to 100 basis point range for the Fed Fund rate. To have an "inflation neutral" Fed Fund rate, the Fed will likely need another 100 basis points or more of increases to restore stable prices.*

- The Consumer Price Index for All Urban Consumers (CPI) is based on the buying habits of urban consumers. The CPI increased 0.3% in April after jumping 11% in March. On a year-ago basis, the headline CPI increased 8.3% while the core CPI (excluding food and energy) rose 6.2%. Figure 9 illustrates the pattern of inflation based on the headline CPI measure. The figure illustrates the inflation trend starting soon after the economic shutdown in 2020. While the Russian invasion of Ukraine presents added inflation pressure, the invasion started on February 2022 after inflation already had solid roots.

Figure 9. Consumer Price Index - All Items

Source: U.S. Bureau of Labor Statistics, retrieved from Federal Reserve Bank of St. Louis FRED

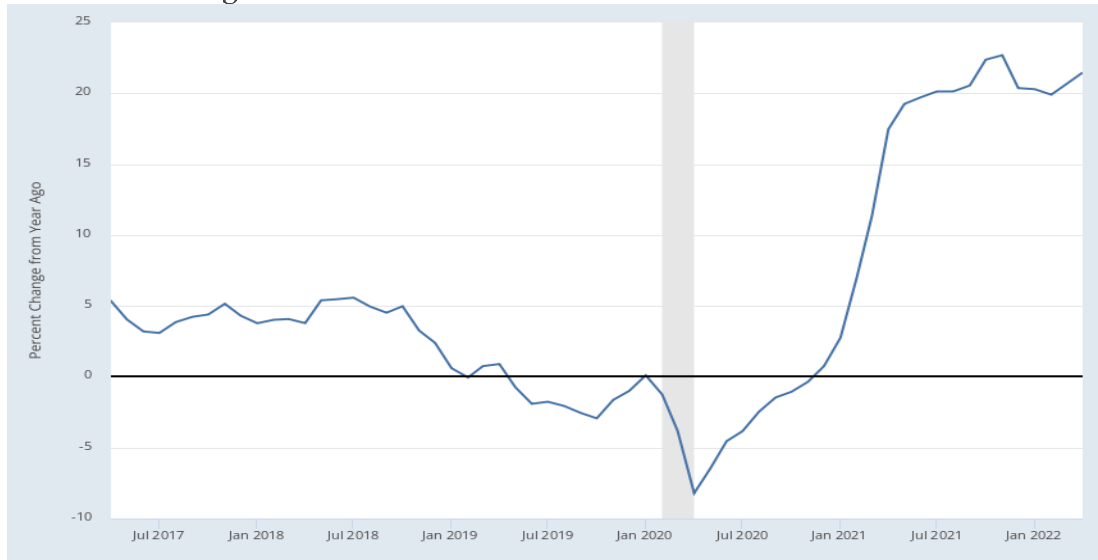
- The PCE deflator increased only 0.2% in April following gains of 0.9% in March and 0.5% in February. On a year ago basis in April, headline PCE inflation was 6.3%. Inflation likely moderated due to the contraction in first quarter growth. The PCE deflator for food was up 1%, the third consecutive monthly gain of at least 1%. Energy prices fell 2.8% after rising 11.7% in March. The core PCE deflator (excluding food and energy) on a year-ago basis was only 4.9%, but still well ahead of the Fed target. Figure 10 shows the PCE headline inflation measure over the past five years.

Figure 10. Personal Consumption Expenditure Index - All Items

Source: Bureau of Economic Analysis, Retrieved from Federal Reserve Bank of St. Louis (FRED)

- The Producer Price Index for final demand increased 0.5% in April following increases of 1.6% in March and 1.1% in February. On an unadjusted basis, final demand prices moved up 11% for the 12 months ended in April. For the 12 months ended in April, the index for final demand less foods, energy, and trade services rose 6.9%. Figure 11 illustrates the Producer Price Index for final demand over the past five years. The flatter trend in the index over the most recent months is good news with respect to future inflation.

Figure 11. Producer Price Index for Final Demand



Source: Bureau of Economic Analysis, Retrieved from the Federal Reserve Bank of St. Louis (FRED)

Housing - *The supply of housing remains tight supporting rising home prices in the first quarter of 2022. On a year-ago basis, home prices increased 21.1% based on the S&P/Case-Shiller Home Price Index. A more sustainable increase closer to 10% is more likely over the next year. Housing demand continues to be high due to demographics. Demand is supported by the combined effect of increased remote work at home and emergence of millennials in their prime homebuying years. Going forward, housing prices are likely to fall or go flat in many regions due to rapidly rising mortgage rates in markets that are already overvalued (prices higher than income levels would predict). Overall, housing prices are not likely to crash as they did in the housing bubble of 2008 and 2009 where speculative buying was a key driver of prices.*

- Home prices continue to rise at a rapid pace. For the first three months of 2022 home prices were up 5.75%. Much of the support for home prices likely comes from purchases to get ahead of higher mortgage rates expected later in the year.

Table 1. S&P CoreLogic Case-Shiller U.S. National Home Price Index

	1 Month per Period	3 Month per Period	Year to Date	1 Year Annualized	3 Years Annualized	5 Years Annualized	10 Years Annualized
% Increase	2.55%	5.75%	5.75%	20.55%	12.68%	9.56%	8.06%

Source: S&P Dow Jones Indices (ttps://www.spglobal.com/spdji/en/indices/indicators/sp-corelogic-case-shiller-20-city-composite-home-price-nsa-index/#overview)

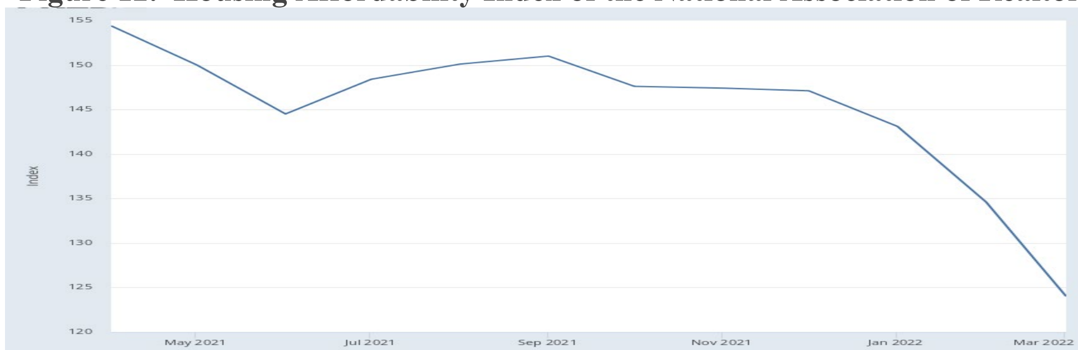
- The National Association of Realtors reported that the median sales price for an existing home in April was $391,200.

- Mortgage rates climbed approximately 200 basis points since the end of 2021. The 30-year fixed rate is now hovering around 5.5%. The combined effect of inflation and announced increases in interest rates by the Fed will push mortgage rates higher for the remainder of the year. With Fed Fund rate increases of at least 100 basis points, the 30-year mortgage rate is likely to exceed 6.5% by the end of the year.

- The Commerce Department reported that building permits of privately owned housing units fell 3.2% in April but was 3.1% above April of 2021. Single-family housing starts were 7.3% lower in April. Single family housing completions were 4.9% lower in April. Much of the problem in new housing construction stems from shortages in both labor and materials. The housing supply shortage will help keep housing prices from falling dramatically.

- Figure 12 shows the pattern of the Monthly Housing Affordability Index produced by the National Association of Realtors. An index value of 100 means that a family with the median income has exactly enough income to qualify for a mortgage on a median-priced home. An index above 100 signifies that family earning the median income has more than enough income to qualify for a mortgage loan on a median-priced home, assuming a 20 percent down payment. The index remains above 100 but has been sliding over the past year due to a combination of higher house prices and increases in mortgage rates. Going forward, rising mortgage rates and falling real disposable income are likely to drive the index lower.

Figure 12. Housing Affordability Index of the National Association of Realtors

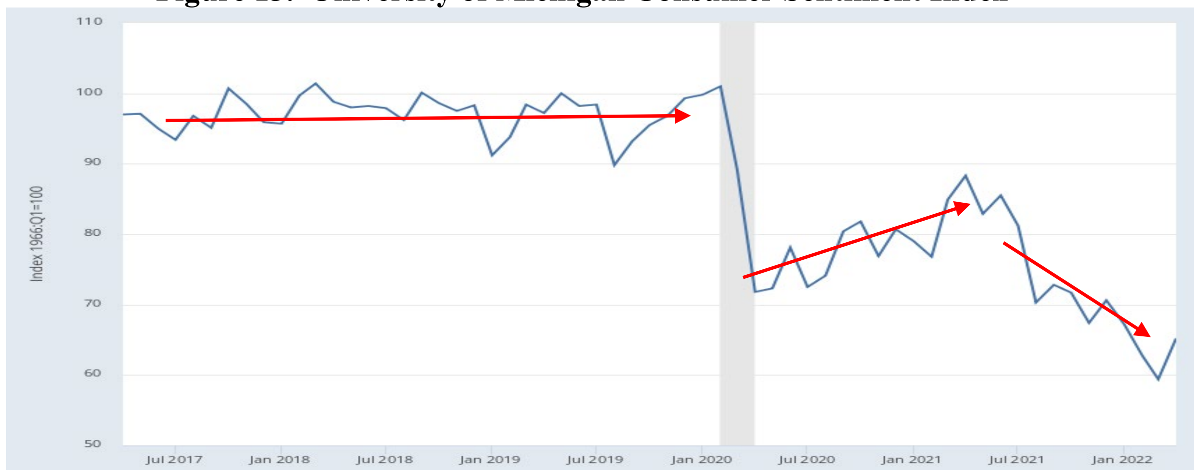


Source: National Association of Realtors, Retrieved from the Federal Reserve Bank of St. Louis (FRED)

Sentiment and Confidence - *Consumer sentiment measures that gauge household finances have been slipping since mid-2021. The Expectations for high inflation, slow growth bordering on a recession, rising interest rates and global uncertainty are all weighing on consumers. The University of Michigan Survey of Consumers Index fell in February to its lowest level in the past decade. The major decline in the stock market reflects investor expectations of lower corporate earnings and higher interest rates (discount rates). Consumers face growing concerns over higher energy and food costs that are taking a growing portion of household budgets. The Consumer Confidence Index, which places a greater emphasis on consumer views of the labor market and employment, is following a pattern similar to the Michigan Sentiment Index.*

- The University of Michigan Consumer Sentiment Index fell to 62.8 in January following an index of 67.2 in January. The index was 76.8 one year ago. The key factors for the decline were consumer awareness of rising interest rates, falling confidence in government policies, and negative views on the long-term prospects for the economy. Most of the survey responses occurred prior to the Russian invasion of Ukraine, suggesting a more pessimistic sentiment going forward. Figure 13 illustrates the movement of the sentiment index over the past five years. There are three different trends in the data indicated by 3 red lines.

Figure 13. University of Michigan Consumer Sentiment Index



Source: University of Michigan Consumer Sentiment Index, Retrieved from Federal Reserve Bank of St. Louis (FRED)

- The Conference Board's Consumer Sentiment Index fell from 108.6 to 106.4 in May. Views of both the present conditions and expectations were more pessimistic. The index was 129 one year ago and 110 in January of 2022.

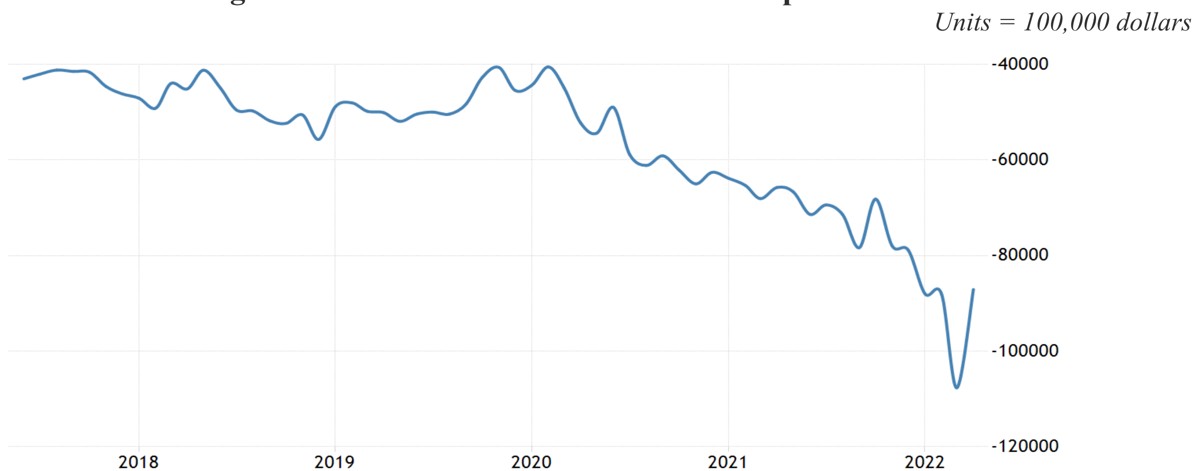
- The Conference Board Leading Economic Index fell 0.3% in April. The April decline follows a revised 0.1% downturn in March. The declines in the index suggest slower growth going forward but does not yet signal significant downturn.

U.S. Trade – *The U.S. trade deficit has been volatile in 2022. The nominal trade deficit narrowed in April to $87.1 billion following a $107.7 billion deficit in March. The lower trade deficits represent a smaller drag on GDP for the second quarter. U.S. trade deficits have been chronic since 1976. The largest trade deficits occur with China, Mexico, Germany, and Japan. The top trading partners overall are China, Canada, and Mexico. The higher value of the U.S. dollar makes U.S. imports cheaper and U.S. exports more expensive, causing headwinds for the U.S. balance of trade.*

- Figure 14 illustrates the U. S. trade deficit over the past five years to include the more dramatic decline since 2020 and the most recent improvement in April of 2022.

Figure 14. U. S. Balance of Trade over the past Five Years

Units = 100,000 dollars



Source: Trading Economics, Bureau of Economic Analysis

- The U.S. dollar has strengthened over the past year relative to currencies of major trading partners. Most recently, the dollar has slumped as the demand for the dollar fell due in part to higher U.S. inflation.

- Figures 15, 16, 17, and 18 below illustrate the path of the U.S. dollar relative to the Euro, Yen, Yuan, and Canadian dollar over the past year. While the dollar value with respect to the Canadian dollar is generally without trend, the dollar strengthened with respect to the Euro, Yen, and Yuan.

Figure 15. Euros per U.S. Dollar

Figure 16. Japanese Yen per Dollar

Figure 17. Chinese Yen per U. S. Dollar

Figure 18. Canadian Dollar per U. S. Dollar

Source: X-rates, https://www.x-rates.com/graph/?from=USD&to=EUR&amount=1 rates,

International Monetary Fund Global Outlook – *The invasion of Ukraine by Russia will contribute to a global economic slowdown in 2022 while also contributing to higher food and energy prices. Populations in low income countries will be hit the hardest. The IMF projects growth to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023. Growth in 2022 and 2023 have been lowered since the January IMF report. Global inflation of 5.7% is projected for advanced economies with 8.7% inflation in emerging markets, both measures are about 2% higher than in the January report.*

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