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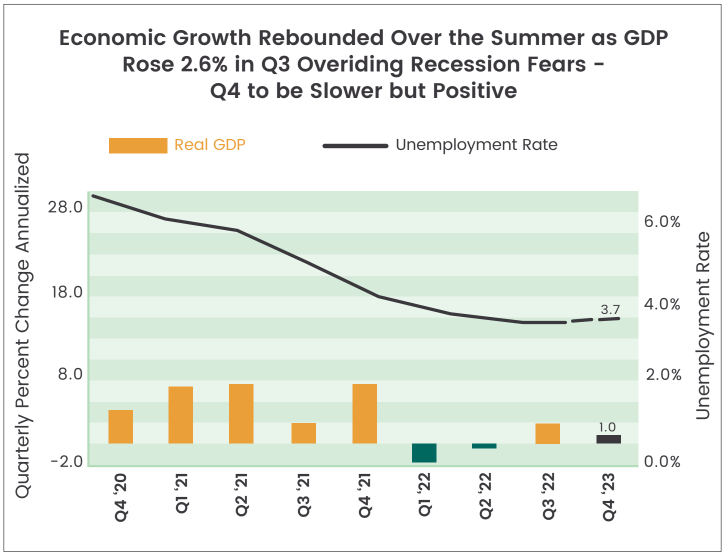
# 3rd Quarter 2022 Economic Update

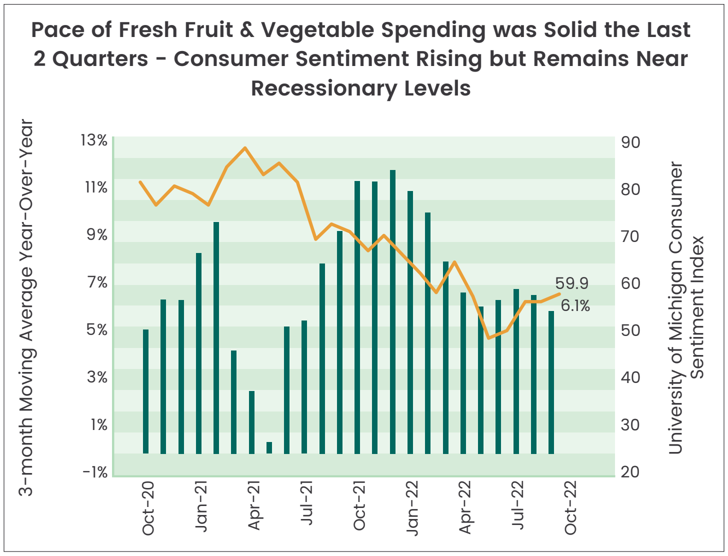
## The Expansion in Economic Activity Resumed in the Third Quarter

The U.S. economy after contracting in the first two quarters of 2022, rebounded in the third quarter, expanding 2.6% at the annual rate. This was a solid improvement from the 0.6% decline during the second quarter and should help dispel the notion that the U.S. economy is in recession. The biggest contributor to GDP growth in the third quarter though was net exports, particularly in the goods sector, where exports surged and imports fell. However, don't expect that to continue. The dollar has gained strength versus other major currencies and so will likely limit future purchases by foreigners while making foreign goods relatively inexpensive for Americans. Real personal consumption was also up in Q3, but at a slower tepid 1.4% annual rate. At the same time, goods spending was a drag on growth, along with the housing market and inventory spending.

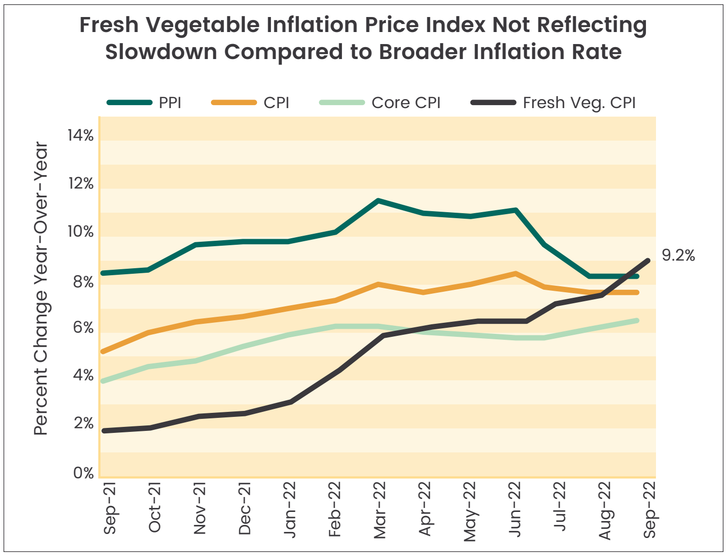



Consumer spending was on the rise in September. At the same time, nominal personal income picked up as the tight labor market results in increased wages to attract and retain workers. The saving rate fell to 3.1% from 3.4%. Households are facing higher prices especially for housing and energy related services. The outlook for the economy is still strong but slowing as the erosion of purchasing power resulting from accelerating inflation has not yet deterred consumer spending.

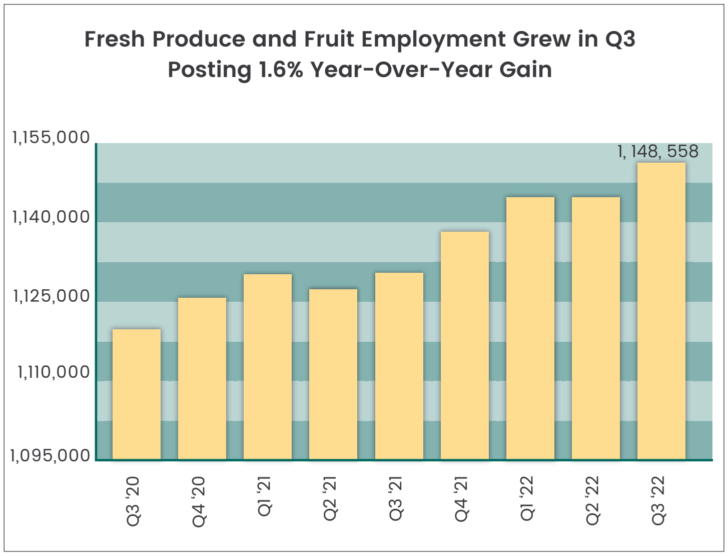
The pace of fresh fruit and vegetable sales was steady during the second quarter averaging 6.1 percent on a year-over-year three-month moving average. Food prices are still elevated and that's changing consumer behavior and the pace of spending. In September, the Fresh Vegetable Consumer Price Index measured a 9.2 percent year-over-year growth.

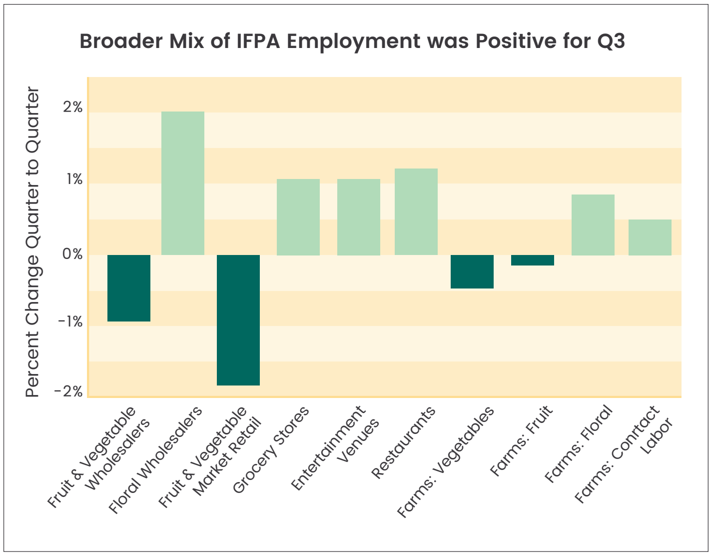



Underlying inflation pressures continue to eat away at wage gains. Wage growth, according to the Employment Cost Index which the Federal Reserve closely monitors came in at 5.2% in the third quarter of 2022, on a year-ago basis. Meanwhile, the personal consumption expenditure deflator—the Federal Reserve's preferred measure of inflation remained near a four-decade high recording more than 6% for each month of the third quarter and clocking in at 6.2% in September. Core PCE which excludes food and energy strengthen to a 5.1% year-over-year increase.

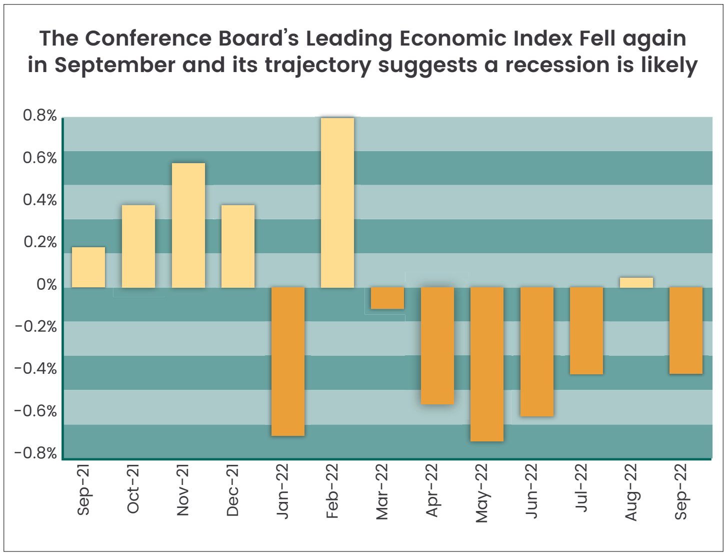



The labor market keeps rolling along. The labor market remained healthy in the third quarter as private-sector payrolls held firm as employers added on average 372,000 on a monthly basis. The labor market is however easing as payrolls increased by 263,000 jobs in September. While additions may be slowing a bit, job openings bounced back in September to 10.7 million from 10.3 million in August. Job openings are declining gradually but are still extremely high compared to pre-pandemic levels. Although many analysts expects employment gains to decelerate steadily in coming months and quarters, Fresh produce and floral supply employment at the end of the third quarter edged up 3,100 jobs and rose 18,500 jobs compared the same period earlier for a 1.6% year-over-year gain.




Labor demand isn't cooling as quickly as the Fed - and markets - would like. It is impossible to know whether the Fed's monetary tightening will lead to a recession or how bad the recession might be if one does occur, but the risk is clearly elevated, and the current framework of rate hikes increases the chances. The Fed is very concerned about consumers' inflation expectations becoming unanchored, but various surveys show that worries are stabilizing. According to the New York Fed's September Survey of Consumer Expectations, the outlook for inflation one year ahead declined to 5.4% from 5.7% in August. In contrast, three-year-ahead inflation expectations rose slightly to 2.9% from 2.8% in August.




Overall, the U.S. economy is growing again after two straight quarters of contraction as consumers keep spending and most businesses continue hiring despite the interest rate increases. The BlueChip Economic Indicators panel of forecasters, predict slower growth and higher inflation in the remainder of 2022 and 2023.