

# THE WALL STREET JOURNAL.



## REAL TIME ECONOMICS

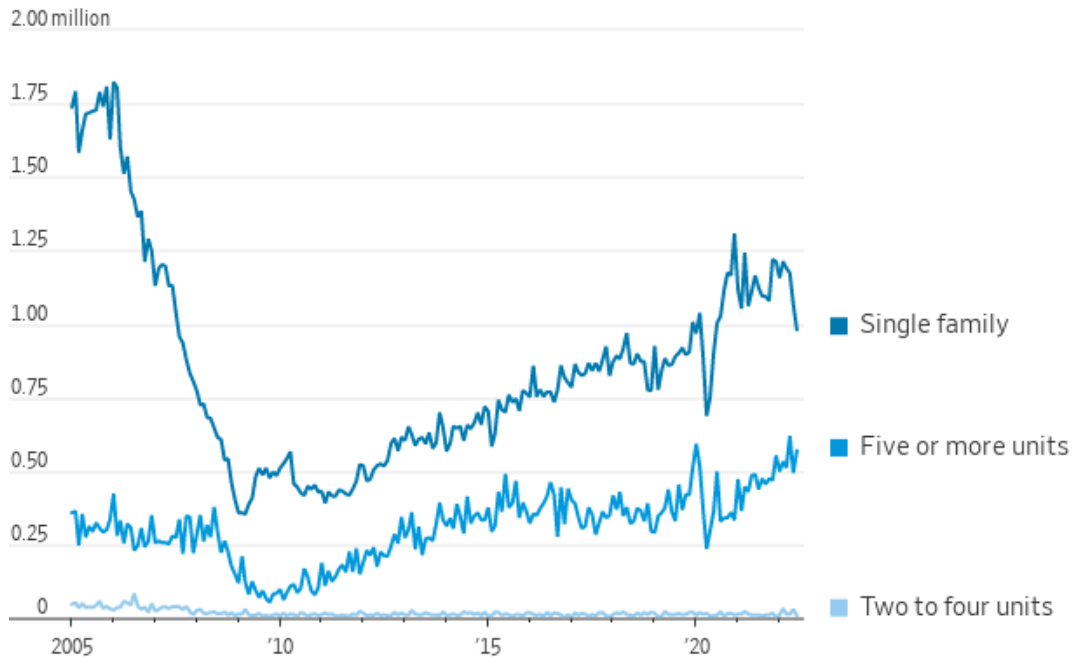
Good morning. This is Jeff Sparshott with the latest on the economy. You can send questions, comments and suggestions by replying to this email.

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### **Wrecking Ball**

Construction of single-family homes in the U.S. fell for the fourth straight month in June as rising interest rates, climbing construction costs and falling sales brought activity to the lowest level in two years. Single-family housing starts dropped to an annual rate of 982,000 in June, down 8.1% from the prior month, the Commerce Department said. Single-family permits, an indication of future activity, also fell to a two-year low. Construction of homes with five or more units, often apartments, increased, leaving the [overall level of starts down just 2% from May](#). “While the multifamily market remains strong on solid rental housing demand, the softening of single-family construction data should send a strong signal to the Federal Reserve that tighter financial conditions are producing a housing downturn,” said National Association of Home Builders Chief Economist Robert Dietz.

## U.S. housing starts



Note: Seasonally adjusted annual rate

Source: Commerce Department via the St. Louis Fed

**Residential investment made small but positive contributions to economic growth in recent quarters.** Economists forecast it will be a drag starting with the second quarter of this year. “Housing is likely just at the beginning of recession. We’ll get an official read on that in next week’s first cut of Q2 GDP. But that just seems like semantics at this point,” said Tom Porcelli, chief U.S. economist at RBC Capital Markets.

## U.S. private residential fixed investment, quarterly

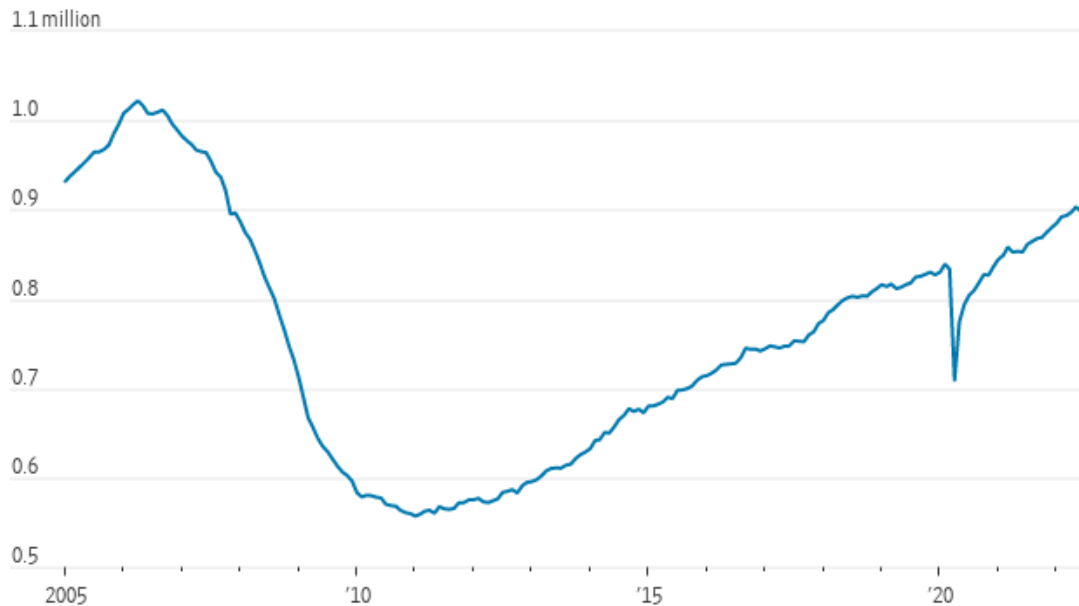


Note: Inflation and seasonally adjusted annual rate

Source: Commerce Department

**That could eventually bleed through to the jobs market.** JPMorgan Chase is forecasting that residential investment will drop at a 5% pace starting in the second quarter. That “should lead to job losses averaging about 20,000/month,” said JPMorgan economist Daniel Silver.

#### U.S. employment in construction of residential buildings, monthly



Note: Seasonally adjusted  
Source: Labor Department

**The National Association of Realtors** will release previously-owned home sales figures for June on Wednesday. Economists estimate that the sales of existing homes—the bulk of the U.S. housing market—declined by 0.9% last month. [Follow our coverage here.](#)



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## What to Watch Today

**Canada's consumer-price index** for June is expected to increase 8.4% from one year earlier. (8:30 a.m. ET)

**U.S. existing-home sales** are expected to fall to an annual pace of 5.36 million in June from 5.41 million one month earlier. (10 a.m. ET)

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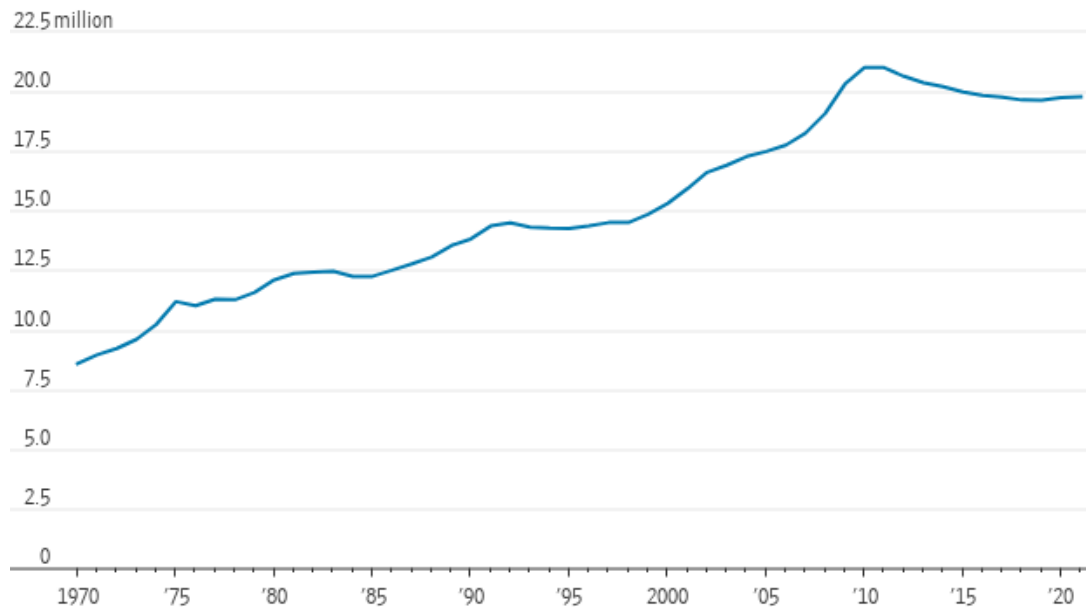
## Top Stories

### **Broke Colleges Resort to Mergers for Survival**

Students continue to pack into flagship universities and brand-name colleges. Less-prestigious schools are struggling. The number of colleges closing down in the past 10 years, around 200, has quadrupled compared with the previous decade. That's an opportunity for some. In the past four years, [there have been 95 college mergers](#), compared with 78 over the prior 18 years, according to data compiled by the consulting group EY Parthenon. Schools merge to broaden their enrollment base, diversify programs, expand facilities and create efficiencies of scale. Most M&A targets have fewer than 5,000 students and are coping with rising costs for college and uneven return on investment, which has diminished public confidence in higher education, opened the door to competitors and led to falling enrollment, Douglas Belkin reports.

- **CFPB to Push Banks** to Cover More [Payment-Services Scams](#)

## U.S. college enrollment



Note: Graduate and undergraduate programs; 2021 is an estimate  
Source: Education Data Initiative

## U.K. Inflation Hits New 40-Year High

The U.K.'s annual rate of inflation [rose to a new four-decade high](#), outpacing increasingly rapid wage growth and weakening the country's economic outlook during a period of political vacuum. The U.K.'s Office for National Statistics Wednesday said consumer prices were 9.4% higher in June than a year earlier, the highest rate of inflation since 1982 and a pickup from 9.1% in May. The figure marks the fastest rise in prices for a Group of Seven economy since the global surge began at the start of last year. Economists expect the annual rate of consumer-price inflation to increase further. The Bank of England has said it should top out at around 11% in the final months of the year. The U.K. sets a ceiling on home energy prices twice yearly, and the next adjustment is due in October, when a further rise of 50% is expected, Paul Hannon reports.

- **ECB Being Pulled** in Multiple Directions as It Prepares [First Rate Rise in a Decade](#)

## U.K. consumer price index, 12-month change



Source: Office for National Statistics

## India's Rupee Sinks

[India's rupee hit a record low on Tuesday](#), against the backdrop of a stronger dollar and rising aversion by global investors to owning risky, emerging market assets. The currency crossed 80 during trading in India but closed at around 79.95, according to the Reserve Bank of India. A weaker rupee bodes trouble for the world's fastest-growing major economy, which the World Bank expects to expand by 7.5% in the current financial year. India relies heavily on imports for both crude and edible oils, which have both become more expensive in rupee terms, pushing up inflation and eroding the country's dollar reserves, Shefali Anand reports.

## How many U.S. dollars an Indian rupee buys



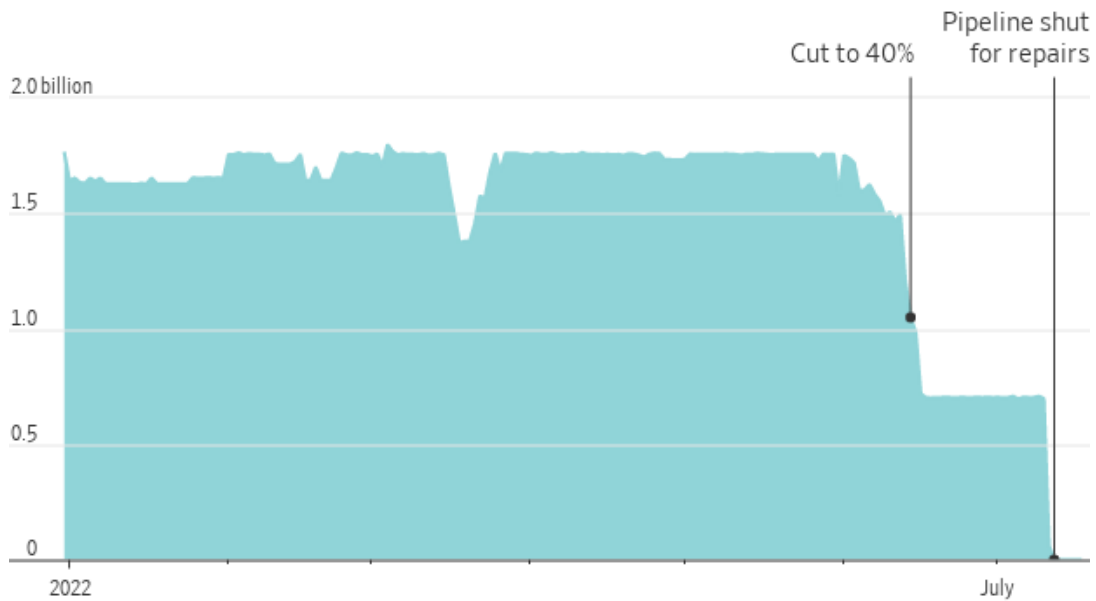
Source: Tullett Prebon

## Long Cold Lonely Winter

Russian President Vladimir Putin said Russia would fulfill its commitments [to supply natural gas to Europe](#) but warned that flows via the Nord Stream pipeline could be curbed soon if sanctions prevent additional maintenance on its components. Nord Stream, the main artery for Russian gas to Europe, is currently down due to regular maintenance and European governments are worried the Kremlin won't restore its flow when the work ends Thursday. A prolonged outage could prompt governments to ration energy, hurting industry and hitting already fragile economic growth, Georgi Kantchev reports.

- **Europe Fears a Long, Cold Winter** if Russia [Ends Supply of Natural Gas](#)
- **Europe Rolls Out Plan** to Ration Natural Gas if [Russia Tightens Taps](#)
- **Nord Stream:** Inside Russia's Gas Pipeline to Europe as [Fears Rise Over It Restarting](#)

Natural-gas flows through the Nord Stream pipeline, in kilowatt-hours per day




Source: Nord Stream

**U.S. Secretary of State Antony Blinken is expected to point to Russia’s invasion of Ukraine** as an urgent reason for governments [to cooperate more closely on the international supply chain](#), according to State Department officials. At a virtual meeting on Wednesday with representatives from more than a dozen countries, Mr. Blinken also will emphasize the need to reduce dependence on petroleum and natural gas from unreliable countries, instead focusing on trade in clean-energy products, William Mauldin reports.

“Most CEOs, whether they admit it or not, are thinking seriously about how to either get out of China, if they are there, or at least about how to develop alternative sources of supply to insulate themselves from political risk.”

— Bill Reinsch, trade expert at the Center for Strategic and International Studies

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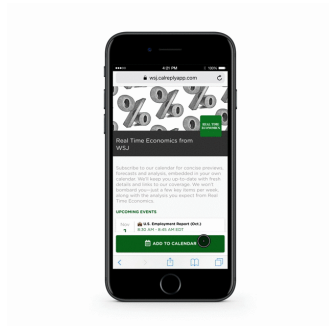
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## What Else We're Reading

**Republicans start more firms than Democrats.** "This partisan entrepreneurship gap is time-varying: Republicans increase their relative entrepreneurship during Republican administrations and decrease it during Democratic administrations, amounting to a partisan reallocation of 170,000 new firms over our 13-year sample. We find sharp changes in partisan entrepreneurship around the elections of President Obama and President Trump, and the strongest effects among the most politically active partisans: those that donate and vote," University of California at San Diego's Joseph Engelberg and co-authors [write in a working paper](#).

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## About Us

Real Time Economics comes to you from WSJ reporters and editors around the world. Today's issue was curated and edited by [Jeff Sparshott](#) (@jeffsparshott) and [Greg Ip](#) (@greg\_ip) in Washington, D.C., and [James Hookway](#) (@JamesHookway) in London.

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