

DAILY ROUNDUP

# Major Lender Questions Fed Rate Hikes, Amex Sees Steady Consumer Spending, US Budget Deficit Halved

What You Need To Know To Start Your Day



Federal Reserve Chair Jerome Powell in June announced the first of three 0.75 percentage point rate hikes this year. (Getty Images)

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## Major Lender Questions Fed Rate Hikes

A major commercial real estate lender is questioning whether the Federal Reserve is pushing too aggressively on raising interest rates to tame inflation.

In an economic analysis released late Friday, Berkadia said that “evidence of persistent inflation is too prevalent to ignore” another 0.75 percentage point rate hike at the Fed’s November meeting. “But we begin to approach the idea of a rate hike too far if we continue this supersized trend,” the lender said.

Berkadia’s analysis echoes a growing sentiment among economists, financial experts and the commercial real estate industry. Barry Sternlicht, Starwood Capital Group’s CEO, [told CNBC](#) in early October that the Fed is “going to cause unbelievable calamities if they keep up their action, and not just here, all over the globe.”

One of the concerns is how much home price and rent price data lags in the federal government’s Consumer Price Index. In the latest CPI, the Labor Department cited increases in shelter costs as one of the factors in inflation unexpectedly rising to 8.2% annually in September.

Home prices and rent growth has been slowing through much of this year, but that won’t be reflected until next year, Berkadia said, noting that commodities prices have eased as well.

The lender said “this reliance on backward-looking measures jeopardizes the narrow path the Fed had for a soft landing.”

## Amex Sees Steady Consumer Spending

American Express reported another record quarter of revenue and hasn’t seen signs of consumer spending ebbing, a potential positive for retailers and the hospitality industry heading into the holiday shopping season.

Total revenue without interest increased 24% to \$13.5 billion, a record high year over year for the second consecutive quarter. Net income grew 3% to \$1.88 billion, which was affected by increasing reserves for potential credit losses to \$778 million.

Higher interest rates pushed up interest income by 29% in the quarter compared to a year ago.

Jeff Campbell, Amex's chief financial officer, [told MarketWatch](#) that company executives have been "squinting and looking hard" for pressure on consumer spending but only see strong momentum.

Card member spending increased 21% for the quarter on both goods and services. Stephen Squeri, Amex's CEO, said in a statement that demand for travel has exceeded expectations throughout the year. Travel and entertainment spending increased 57% from the third quarter last year.

## US Budget Deficit Halved

The U.S. federal budget deficit was cut in half during the government's latest fiscal year to mark the biggest decline in American history.

The Treasury Department reported Friday that the budget deficit for the 2022 fiscal year that ended Sept. 30 dropped to \$1.37 trillion from \$2.776 trillion in the previous fiscal year. Federal economic stimulus early in the pandemic caused deficit spending to balloon. The deficit was at \$1.8 trillion when President Biden took office in January 2021.

Deficit spending for fiscal 2022 came in \$40 billion lower than the Biden administration's previous estimates and dropped to 5.5% of gross domestic product from 12.3%.

Revenue rose by \$850 billion to \$4.896 trillion compared to outlays dropping \$550 billion to \$6.272 trillion. The Treasury said in its report that part of the spending decline was the result of reductions in stimulus spending and unemployment costs.

Individual income tax produced \$2.63 billion in revenue, \$69.3 billion short of government estimates. Corporation income tax revenue was \$20.7 billion more than

estimated at \$424.9 billion.