

Economic Update, March 10, 2023

Submitted by Bob Moreo

Summary: The week ended with two stronger-than-expected jobs reports for February. The federal government said employers added [311,000 jobs](#), while ADP reported private-sector payrolls increased by 242,000 [versus Dow Jones expectations for 205,000](#). That report noted, however, that small establishments have shed jobs seven months in a row. Global business activity picked up in February, and when often volatile orders for civilian aircraft are excluded, [“increases in machinery and a range of other products suggested that \[U.S.\] manufacturing could be regaining its footing.”](#) Other indications, however, show [excess inventories and less freight movement](#). Bank of America, meanwhile, said [“consumer spending remains resilient even as the rate of spending growth moderate\[d\]”](#) in February, and that spending “continues to be supported by positive consumer fundamentals.”

Federal Government Indicators and Reports:

Bureau of Economic Analysis

Wednesday, [U.S. International Trade](#): “The goods and services [trade] deficit was \$68.3 billion in January, up \$1.1 billion from \$67.2 billion in December, revised. . . . January exports were \$257.5 billion, \$8.5 billion more than December exports. January imports were \$325.8 billion, \$9.6 billion more than December imports. . . . Year-over-year, the goods and services deficit decreased \$19.2 billion, or 21.9 percent, from January 2022.”

Bureau of Labor Statistics

Wednesday, [Job Openings and Labor Turnover Survey](#): “On the last business day of January, the number and rate of job openings decreased to 10.8 million (-410,000) and 6.5 percent, respectively. . . . The number and rate of hires changed little at 6.4 million and 4.1 percent, respectively. . . . In January, the number of total separations changed little at 5.9 million. The rate was unchanged at 3.8 percent.”

Friday, [Employment Situation](#): “Total nonfarm payroll employment rose by 311,000 in February, and the unemployment rate edged up to 3.6 percent. . . . Notable job gains occurred in leisure and hospitality, retail trade, government, and health care. Employment declined in information and in transportation and warehousing.”

Chart 1. Unemployment rate, seasonally adjusted, February 2021 – February 2023

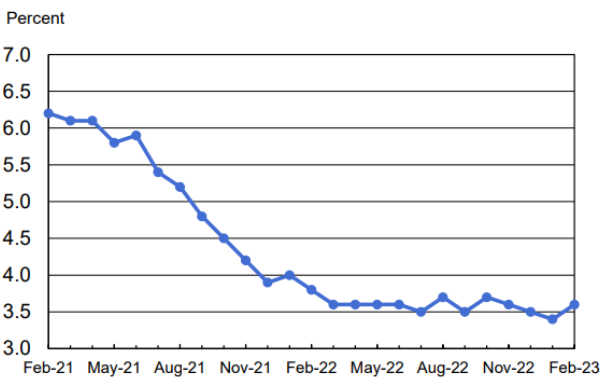
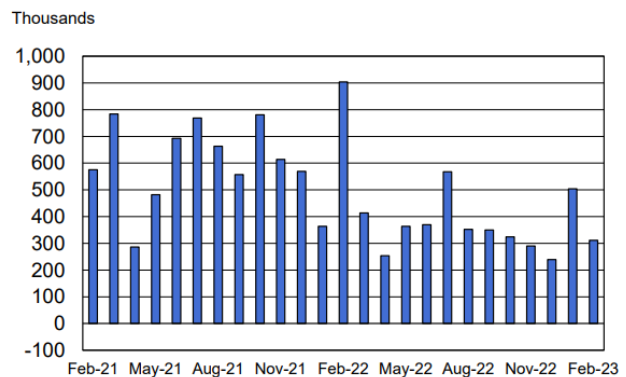


Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, February 2021 – February 2023



Bureau of Transportation Statistics

Wednesday, [Freight Transportation Services Index](#): The index “fell 0.2 percent in January from December, falling after a one-month increase. . . . From January 2022 to January 2023 the index fell 0.7 percent. . . . The level of for-hire freight shipments in January measured by the Freight TSI (137.8) was 3.0 percent below the all-time high level of 142.1 in August 2019.”

Census Bureau

Monday, [Manufacturers’ Shipments, Inventories and Orders](#): “New orders for manufactured goods in January, down two of the last three months, decreased \$8.9 billion or 1.6 percent to \$542.8 billion. . . . This followed a 1.7 percent December increase.” Excluding transportation, new orders increased 1.2 percent in January. “Shipments, up following two consecutive monthly decreases, increased \$3.8 billion or 0.7 percent to \$547.8 billion. This followed a 0.6 percent December decrease.”

Tuesday, [Monthly Wholesale Trade](#): “January 2023 sales of merchant wholesalers . . . were \$693.8 billion, up 1.0 percent from the revised December level and were up 3.6 percent from the revised January 2022 level. . . . [Inventories] were \$929.0 billion at the end of January, down 0.4 percent from the revised December level. Total inventories were up 15.8 percent from the revised January 2022 level. . . . The January inventories/sales ratio . . . was 1.34. The January 2022 ratio was 1.20.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending March 4, the advance figure for seasonally adjusted initial claims was 211,000, an increase of 21,000 from the previous week's unrevised level of 190,000. The 4-week moving average was 197,000, an increase of 4,000 from the previous week's unrevised average of 193,000. . . . The advance seasonally adjusted insured unemployment rate was 1.2 percent for the week ending February 25, an increase of 0.1 percentage point from the previous week's unrevised rate.”

The unadjusted advance number of initial claims filed in Tennessee during the week ending March 4 was 2,279. That was 208 fewer than in the previous week.

Federal Reserve Board

Tuesday, [Consumer Credit](#): “In January, consumer credit increased at a seasonally adjusted annual rate of 3.7 percent. Revolving credit increased at an annual rate of 11.1 percent, while nonrevolving credit increased at an annual rate of 1.2 percent.”

Economic Indicators and Confidence:

IHS Markit

Monday, [Global Sector Purchasing Managers' Index](#): “A majority of sectors saw business activity increase during February, the first time this has been the case in seven months. . . . The rise in activity in February was led jointly by increases in Pharmaceuticals & Biotechnology and Transportation, the latter saw output rise for the first time in five months and at the strongest pace since November 2021. . . . There was also positive news on business sentiment, with optimism either at or above January levels across all of the 21 sectors covered.”

Investor’s Business Daily

Tuesday, [Economic Optimism Index](#): “The overall IBD/TIPP U.S. Economic Optimism Index rose 1.8 points to 46.9 in March. That put the index at its highest level since December 2021. Still, the index remained in pessimistic territory, below the 50 neutral level, for a 19th straight month. . . . Among

investors, the U.S. Economic Optimism gauge jumped 4.2 points to a strongly upbeat 61.3, the highest since August 2021.” The index among non-investors was 36.5. “The 24.8-point optimism gap between investors and noninvestors is a record for the IBD/TIPP Poll dating back to 2001.”

Employment and Businesses:

ADP

Wednesday, [National Employment Report](#): “Private sector employment increased by 242,000 jobs in February and annual pay was up 7.2 percent year-over-year. . . . A particular area of weakness is with small establishments, which shed jobs every month since August 2022.”

Challenger, Gray, & Christmas

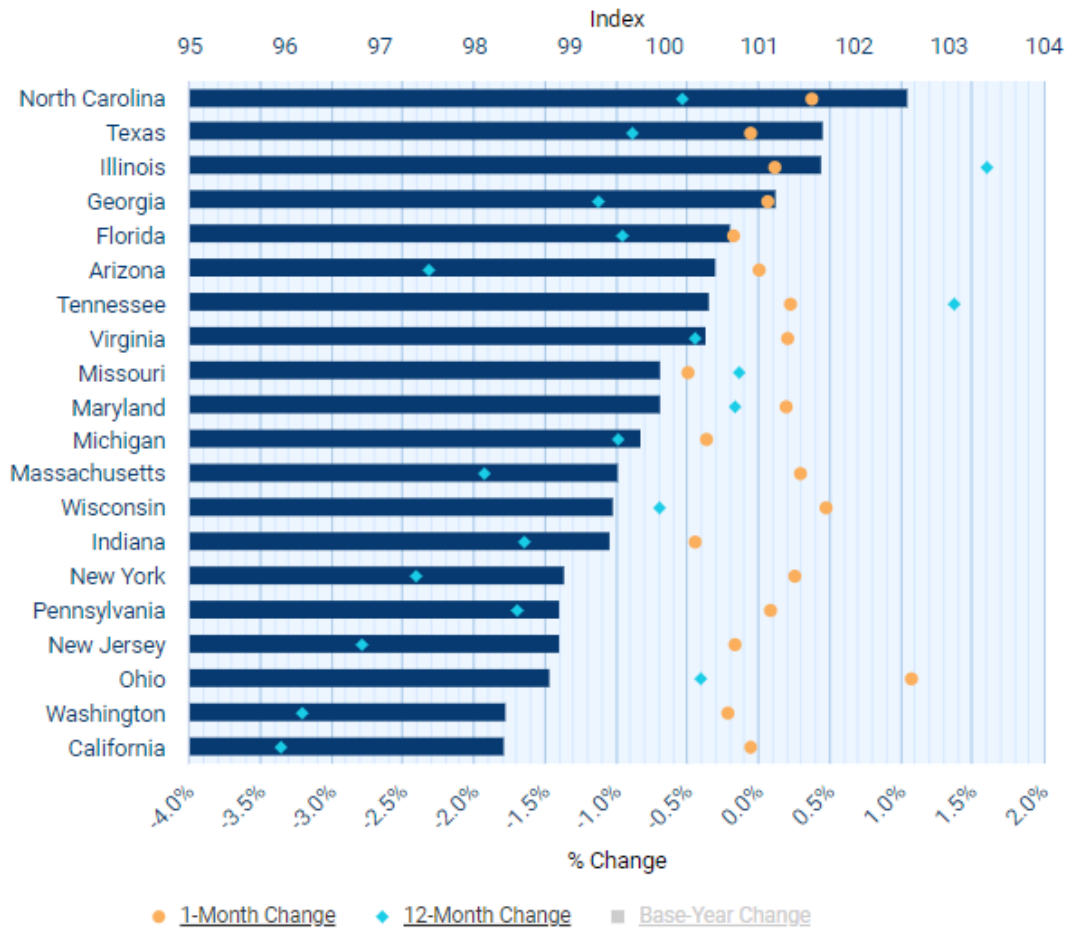
Thursday, [Job Cuts Report](#): “U.S.-based employers announced 77,770 job cuts in February, down a 24 percent from the 102,943 cuts announced in January. It is 410 percent higher than the 15,245 cuts announced in the same month last year. . . . So far this year, employers announced plans to cut 180,713 jobs, up 427 percent from the 34,309 cuts announced in the first two months of 2022. It is the highest January-February total since 2009. . . . Companies announced plans to hire 28,830 workers in February, down 12 percent from the 32,764 hires announced in January. . . . So far this year, companies announced plans to hire 61,594 workers, the lowest January-February total since 2016.”

National Federation of Independent Business

Thursday, [Small Business Jobs Report](#): “Forty-seven percent (seasonally adjusted) of small business owners reported job openings they could not fill in the current period. . . . The percent of small business owners reporting labor quality as their top small business operating problem remains elevated at 21 percent, down three points from January. . . . A seasonally adjusted net 17 percent of owners are planning to create new jobs in the next three months, down two points from January and 15 points below its record high reading of 32 reached in August 2021, showing that the trend in planned hiring is on the decline.”

Paychex | IHS Markit

Tuesday, [Small Business Employment Watch](#): “The rate of hiring for U.S. small businesses increased in February led by hiring in the leisure and hospitality industry. . . . The Small Business Jobs Index . . . continued to increase to 99.66 while the rate of hourly wage growth declined to 4.49 percent year-over-year in February. . . . The South leads regions in small business job growth for the eleventh consecutive month, though its index was unchanged in February at 100.82. . . . Illinois (101.67) and Tennessee (100.49) are the only states with positive 12-month change rates, 1.60 percent and 1.37 percent, respectively.”



Mortgages and Housing Markets:

Fannie Mae

Tuesday, [Home Purchase Sentiment Index](#): Purchase sentiment “decreased 3.6 points in February to 58.0, breaking a streak of three consecutive monthly increases and returning the index closer to its all-time survey low set in October 2022. . . . In February 44 percent of consumers reported that it’s a bad time to sell a home, up from 39 percent last month, and 24 percent expressed concern about losing their job in the next 12 months, up from 18 percent last month. Year over year, the full index is down 17.3 points.”

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “[A] 30-year fixed-rate mortgage averaged 6.73 percent as of March 9, 2023, up from last week when it averaged 6.65 percent. A year ago at this time, the 30-year FRM averaged 3.85 percent.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications increased 7.4 percent from one week earlier, according to data from . . . the week ending March 3, 2023.” Joel Kan, MBA’s vice president and deputy chief economist, said: “Comparing the application indices from a year ago, purchase applications were still down 42 percent, and refinance activity was down 76 percent.” On top

of that, “the average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$726,200 or less) increased to 6.79 percent from 6.71 percent.”