

Economic Update, March 31, 2023

Submitted by Bob Moreo

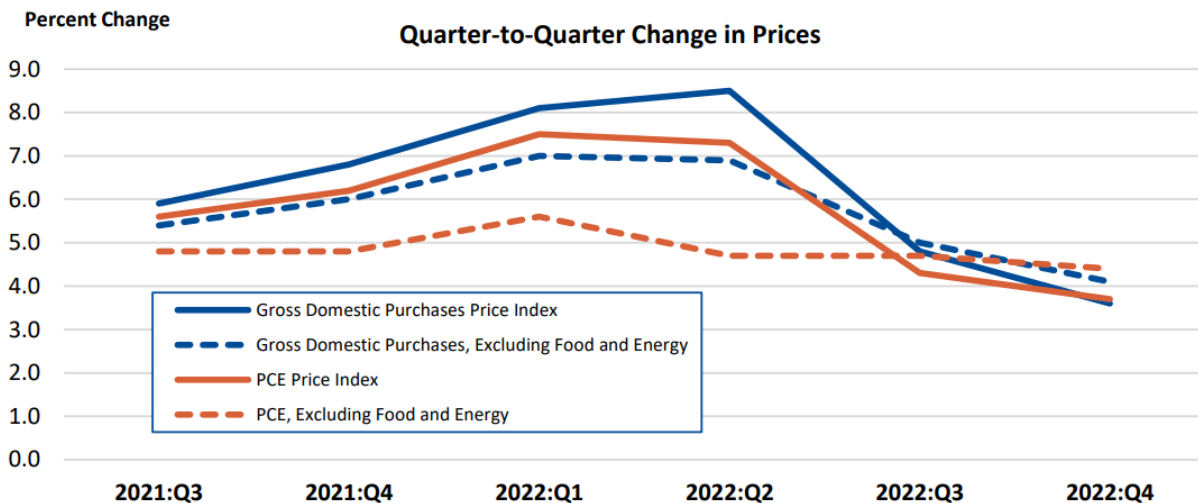
Summary: [“Economic uncertainty continues to bring mortgage rates down,”](#) said Sam Khater, Freddie Mac’s chief economist. “Over the last several weeks, declining rates have brought borrowers back to the market but, as the spring homebuying season gets underway, low inventory remains a key challenge for prospective buyers.” Growth in home prices has slowed and pending sales and listings are improving, but the overall housing market remains well below pre-pandemic levels. The economic uncertainty Mr. Khater spoke of was reflected in various survey results published this week. The Conference Board reported consumers’ expectations improved in March. State Street said that European and North American investors are gaining confidence, but the University of Michigan [reported](#) falling confidence, particularly among “lower-income, less-educated, and younger consumers.” The Federal Reserve Bank of Atlanta [said](#) businesses “remain more uncertain about future revenue growth than they were before the pandemic.”

Federal Government Indicators and Reports:

Bureau of Economic Analysis

Thursday, [Gross Domestic Product and Corporate Profits](#): “Real gross domestic product (GDP) increased at an annual rate of 2.6 percent in the fourth quarter of 2022, after increasing 3.2 percent in the third quarter. . . . The deceleration in the fourth quarter, compared to the third quarter, primarily reflected a downturn in exports and decelerations in consumer spending, business investment, and state and local government spending. . . . Real GDP was revised down 0.1 percentage point from the ‘second’ estimate, primarily reflecting downward revisions to exports and consumer spending. The price index for GDP increased 3.9 percent in the fourth quarter, unrevised from the previous estimate.”

“Profits decreased 2.0 percent in the fourth quarter after decreasing less than 0.1 percent in the third quarter. . . . Profits of domestic nonfinancial corporations decreased 1.1 percent after increasing 0.8 percent. . . . Corporate profits increased 2.6 percent in the fourth quarter from one year ago.”



U.S. Bureau of Economic Analysis

Seasonally adjusted annual rates

Friday, [Gross Domestic Product and Personal Income by State](#): “Real gross domestic product (GDP) increased in 46 states and the District of Columbia in the fourth quarter of 2022, with the percent change in real GDP ranging from 7.0 percent in Texas to –4.3 percent in South Dakota. . . . Personal income, in current dollars, increased in 48 states and the District of Columbia in the fourth quarter of 2022, with the percent change ranging from 15.3 percent in Massachusetts to –2.5 percent in Colorado.” Real GDP in Tennessee increased by 4.3 percent in the fourth quarter of 2022. Personal income increased 8.6 percent.

Census Bureau

Tuesday, [Advance Economic Indicators](#): “The international trade deficit was \$91.6 billion in February, up \$0.5 billion from \$91.1 billion in January. Exports of goods for February were \$167.8 billion, \$6.7 billion less than January exports. Imports of goods for February were \$259.5 billion, \$6.2 billion less than January imports. . . . Wholesale inventories for February . . . were estimated at an end-of-month level of \$920.3 billion, up 0.2 percent from January 2023, and were up 12.2 percent from February 2022. . . . Retail inventories . . . were estimated at an end-of-month level of \$747.3 billion, up 0.8 percent from January 2023, and were up 10.8 percent from February 2022.”

Thursday, [Monthly State Retail Sales](#): “Total U.S. Retail Sales excluding Non-store Retailers (not seasonally adjusted) in December 2022 were up 2.8 percent from December 2021. . . . Seventeen states had positive and significant year-over-year percentage changes from December 2021 to December 2022.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending March 25, the advance figure for seasonally adjusted initial claims was 198,000, an increase of 7,000 from the previous week's unrevised level of 191,000. The 4-week moving average was 198,250, an increase of 2,000 from the previous week's unrevised average of 196,250.”

For the week ending March 18, Tennessee was among the states with the largest increases in initial claims at 2,793, but that fell 738 to an unadjusted advance figure for initial claims of 2,055 in the week ending March 25.

Economic Indicators and Confidence:

The Conference Board

Tuesday, [Consumer Confidence Survey](#): “The Conference Board Consumer Confidence Index increased slightly in March to 104.2, up from 103.4 in February. The Present Situation Index—based on consumers’ assessment of current business and labor market conditions—decreased to 151.1 from 153.0 last month. The Expectations Index—based on consumers’ short-term outlook for income, business, and labor market conditions—ticked up to 73.0 from 70.4 in February.”

State Street

Wednesday, [Investor Confidence](#): “The Global Investor Confidence Index increased to 81.4, up 3.8 points from February’s revised reading of 77.6. The increase was led by an 11.0 point rise in European ICI to 117.5, along with a smaller 0.9 point increase in North American ICI to 73.9. Asian ICI, meanwhile, fell 6.3 points to 91.9.”

University of Michigan

Friday, [Index of Consumer Sentiment](#): “Consumer sentiment fell for the first time in four months, dropping about 8 percent below February but remaining 4 percent above a year ago. . . . Overall, our data revealed multiple signs that consumers increasingly expect a recession ahead. While sentiment fell across all demographic groups, the declines were sharpest for lower-income, less-educated, and younger consumers, as well as consumers with the top tercile of stock holdings.”

Final Results for March 2023

	Mar 2023	Feb 2023	Mar 2022	M-M Change	Y-Y Change
Index of Consumer Sentiment	62.0	67.0	59.4	-7.5%	+4.4%
Current Economic Conditions	66.3	70.7	67.2	-6.2%	-1.3%
Index of Consumer Expectations	59.2	64.7	54.3	-8.5%	+9.0%

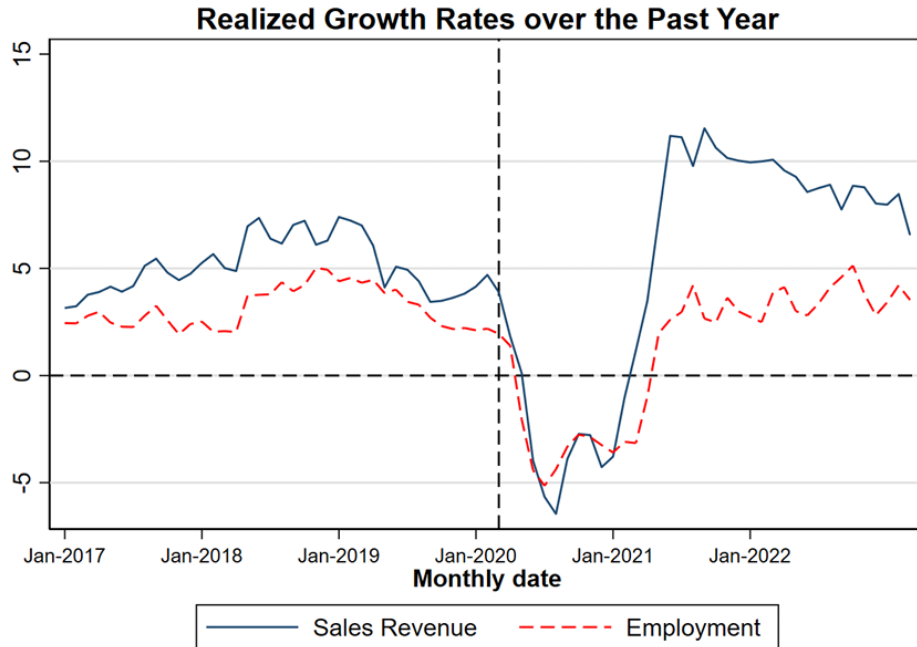
Employment and Businesses:

American Staffing Association

Tuesday, [ASA Staffing Index](#): “Staffing employment eased for a seventh straight week in the week of March 13-19, with the ASA Staffing Index decreasing by 0.2 percent to hold at a rounded value of 98. . . . Staffing jobs were 6.6 percent below the same week last year.”

Federal Reserve Bank of Atlanta

Wednesday, [Survey of Business Uncertainty](#): “Nominal sales growth remains higher than before the pandemic but has been declining over the past year. Recent employment growth is in line with pre-pandemic growth. . . . Sales revenue growth expectations have slowed in recent months. Firms remain more uncertain about future revenue growth than they were before the pandemic. . . . Firms view the strength of the economy, inflation, and labor availability as the top sources of business uncertainty in 2023.”



Mortgages and Housing Markets:

Federal Reserve Bank of New York

Tuesday, [Survey of Consumer Expectations Housing Survey](#): “Results show that households expect home prices to increase over the coming twelve months at the slowest pace since the survey began in 2014. In contrast, home price expectations over the next five years increased relative to last year's survey. Expectations about the one-year-ahead change in the cost of rent were considerably higher than home price expectations but declined relative to last year's series high. . . . A large majority of households continue to view housing as a good financial investment, although the share characterizing housing as a ‘somewhat good’ or ‘very good’ investment declined slightly from February 2022.”

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): Mortgage rates decreased for the third consecutive week. “[A] 30-year fixed-rate mortgage averaged 6.32 percent as of March 30, 2023, down from last week when it averaged 6.42 percent. A year ago at this time, the 30-year FRM averaged 4.67 percent.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications Survey](#): “Mortgage applications increased 2.9 percent from one week earlier, according to data . . . for the week ending March 24, 2023. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$726,200 or less) decreased to 6.45 percent from 6.48 percent.”

National Association of Realtors

Wednesday, [Pending Home Sales Index](#): “Pending home sales grew in February for the third consecutive month. . . . [The index] improved 0.8 percent to 83.2 in February. Year-over-year, pending transactions dropped by 21.1 percent.”

Realtor.com

Thursday, [Monthly Housing Market Trends](#): “Inventory of homes for sale continued to grow higher than last year but this pace of growth declined slightly and inventory remained constrained compared to pre-pandemic levels. Sellers were listing in lower numbers than previous years but those who listed their homes gradually adjusted to softer market conditions, as growth in the median list price continued to slow. Despite slowing listing price growth and increased price reductions, high interest rates continued to create an affordability challenge for buyers as fewer homes went under contract compared to the previous year.”

S&P CoreLogic

Tuesday, [Case-Shiller National Home Price Index](#): “The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, reported a 3.8 percent annual gain in January, down from 5.6 percent in the previous month. . . . After seasonal adjustment, the U.S. National Index posted a month-over-month decrease of -0.2 percent.”