

Economic Update, May 5, 2023

Submitted by Bob Moreo

Summary: As expected, the Federal Reserve raised its benchmark interest rate by another 0.25 points this week, “its 10th interest rate increase in just a little over a year,” [reported CNBC’s Jeff Cox](#). “A decision on a pause was not made,” Fed Chairman Jerome Powell [told the press](#), but the Fed seems poised to “step back and assess the impact of higher rates on growth and inflation,” [according to the Associated Press](#). Friday’s jobs report did nothing to indicate the labor market has been affected by higher interest rates. “The U.S. economy gained 253,000 jobs last month, with the unemployment rate falling to 3.4 percent,” [MarketWatch reported](#), beating economists’ expectations. Manufacturing showed expansion for the first time in six months, according to the S&P Global PMI, and service-sector firms showed the fastest rate of growth in a year. S&P also reported that global price pressures eased in April.

Federal Government Indicators and Reports:

Bureau of Economic Analysis

Thursday, [International Trade](#): “The U.S. goods and services trade deficit decreased from \$70.6 billion in February (revised) to \$64.2 billion in March, as exports increased and imports decreased. . . . Exports of goods and services increased \$5.3 billion, or 2.1 percent. . . . The increase in exports of goods reflected increases in industrial supplies and materials (\$3.9 billion) and in automotive vehicles, parts, and engines (\$0.7 billion).”

Bureau of Labor Statistics

Wednesday, [Metropolitan Area Employment and Unemployment](#): “Unemployment rates were lower in March than a year earlier in 208 of the 389 metropolitan areas, higher in 151 areas, and unchanged in 30 areas. . . . Nonfarm payroll employment increased over the year in 91 metropolitan areas, decreased in 1 area, and was essentially unchanged in 297 areas. The national unemployment rate in March was 3.6 percent, not seasonally adjusted, little changed from a year earlier.” Unemployment rates in Tennessee’s metropolitan areas ranged from 2.5 percent in Nashville-Davidson-Murfreesboro-Franklin to 3.8 percent in Memphis. Statewide, the rate was 3.1 percent.

LABOR FORCE DATA

NOT SEASONALLY ADJUSTED

Table 1. Civilian labor force and unemployment by state and metropolitan area

| State and area | Civilian labor force | | | | Unemployed | | | | | | | |
|---|----------------------|-----------|-----------|-------------------|------------|---------|---------|-------------------|------------------------|------|-------|-------------------|
| | February | | March | | Number | | | | Percent of labor force | | | |
| | 2022 | 2023 | 2022 | 2023 ^P | February | | March | | February | | March | |
| | | | | | 2022 | 2023 | 2022 | 2023 ^P | 2022 | 2023 | 2022 | 2023 ^P |
| Tennessee..... | 3,374,782 | 3,361,917 | 3,375,604 | 3,364,645 | 116,625 | 120,406 | 109,010 | 105,299 | 3.5 | 3.6 | 3.2 | 3.1 |
| Chattanooga..... | 275,850 | 276,491 | 275,479 | 277,980 | 9,872 | 9,162 | 8,406 | 8,379 | 3.6 | 3.3 | 3.1 | 3.0 |
| Clarksville..... | 119,908 | 119,986 | 119,823 | 120,570 | 4,742 | 5,123 | 4,645 | 4,481 | 4.0 | 4.3 | 3.9 | 3.7 |
| Cleveland..... | 58,703 | 57,362 | 58,226 | 57,380 | 2,253 | 2,196 | 1,954 | 2,030 | 3.8 | 3.8 | 3.4 | 3.5 |
| Jackson..... | 65,582 | 64,252 | 65,266 | 64,038 | 2,128 | 2,322 | 2,065 | 2,048 | 3.2 | 3.6 | 3.2 | 3.2 |
| Johnson City..... | 93,848 | 93,168 | 94,055 | 93,054 | 3,011 | 3,463 | 2,973 | 3,043 | 3.2 | 3.7 | 3.2 | 3.3 |
| Kingsport-Bristol-Bristol..... | 134,658 | 137,330 | 135,596 | 137,490 | 4,391 | 4,969 | 4,385 | 4,495 | 3.3 | 3.6 | 3.2 | 3.3 |
| Knoxville..... | 444,442 | 441,627 | 444,843 | 442,184 | 13,445 | 14,379 | 12,953 | 12,556 | 3.0 | 3.3 | 2.9 | 2.8 |
| Memphis..... | 639,679 | 631,175 | 637,519 | 630,709 | 28,471 | 26,285 | 25,594 | 24,047 | 4.5 | 4.2 | 4.0 | 3.8 |
| Morristown..... | 53,739 | 53,672 | 53,411 | 53,266 | 2,092 | 2,262 | 1,886 | 1,811 | 3.9 | 4.2 | 3.5 | 3.4 |
| Nashville-Davidson--Murfreesboro--Franklin..... | 1,127,906 | 1,133,949 | 1,129,138 | 1,138,759 | 31,590 | 31,891 | 30,131 | 28,389 | 2.8 | 2.8 | 2.7 | 2.5 |

Thursday, [Quarterly Productivity and Costs](#): “Nonfarm business sector labor productivity decreased 2.7 percent in the first quarter of 2023 . . . as output increased 0.2 percent and hours worked increased 3.0 percent. . . . From the same quarter a year ago, nonfarm business sector labor productivity

decreased 0.9 percent, reflecting a 1.3-percent increase in output and a 2.3-percent increase in hours worked. The 0.9-percent productivity decline is the first time the four-quarter change series has remained negative for five consecutive quarters.”

Friday, [Employment Situation](#): “Total nonfarm payroll employment rose by 253,000 in April, and the unemployment rate changed little at 3.4 percent. . . . Employment continued to trend up in professional and business services, health care, leisure and hospitality, and social assistance. . . . Both the labor force participation rate, at 62.6 percent, and the employment-population ratio, at 60.4 percent, were unchanged in April. These measures remain below their pre-pandemic February 2020 levels (63.3 percent and 61.1 percent, respectively).”

Census Bureau

Monday, [Construction Spending](#): “Construction spending during March 2023 was estimated at a seasonally adjusted annual rate of \$1,834.7 billion, 0.3 percent above the revised February estimate of \$1,829.6 billion. The March figure is 3.8 percent above the March 2022 estimate of \$1,768.2 billion. During the first three months of this year, construction spending amounted to \$403.3 billion, 4.3 percent above the \$386.7 billion for the same period in 2022.”

Tuesday, [Manufacturers’ Shipments, Inventories, and Orders \(Full Report\)](#): “New orders for manufactured goods in March, up following two consecutive monthly decreases, increased \$4.9 billion or 0.9 percent to \$539.0 billion. . . . This followed a 1.1 percent February decrease. . . . Transportation equipment, also up following two consecutive monthly decreases, led the increase, \$8.1 billion or 9.0 percent to \$97.3 billion. New orders for manufactured nondurable goods decreased \$3.7 billion or 1.4 percent to \$262.8 billion.”

Wednesday, [Housing Vacancies and Homeownership](#): “National vacancy rates in the first quarter 2023 were 6.4 percent for rental housing and 0.8 percent for homeowner housing. The rental vacancy rate was higher than the rate in the first quarter 2022 (5.8 percent) and higher than the rate in the fourth quarter 2022 (5.8 percent). . . . The homeownership rate of 66.0 percent was not statistically different from the rate in the first quarter 2022 (65.4 percent) and not statistically different from the rate in the fourth quarter 2022 (65.9 percent).”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending April 29, the advance figure for seasonally adjusted initial claims was 242,000, an increase of 13,000 from the previous week’s revised level. . . . The 4-week moving average was 239,250, an increase of 3,500 from the previous week’s revised average.” The number of initial claims in Tennessee showed little change.

Federal Reserve Board

Wednesday, [FOMC Statement](#): “The Committee decided to raise the target range for the federal funds rate to 5 to 5-1/4 percent. The Committee will closely monitor incoming information and assess the implications for monetary policy. . . . The Committee’s assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.”

Federal Reserve Bank of Atlanta

Thursday, [GDPNow](#): “The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2023 is 2.7 percent on May 4, up from 1.8 percent on May 1. After recent releases from the U.S. Census Bureau, the U.S. Bureau of Economic Analysis, and the Institute for Supply Management, the nowcasts of second-quarter real personal consumption expenditures growth

and second-quarter real gross private domestic investment growth increased from 1.3 percent and 1.0 percent, respectively, to 2.1 percent and 2.7 percent.”

Economic Indicators and Confidence:

The Conference Board

Thursday, [CEO Confidence](#): The Measure of CEO Confidence “declined slightly to 42 in Q2 2023, down from 43 in the first quarter of the year. The Measure is still below a reading of 50, which suggests CEOs remain largely pessimistic about what’s ahead in the economy. . . . Similar to last quarter, 93 percent of CEOs still report they are preparing for a U.S. recession over the next 12–18 months. Indeed, 87 percent believe the recession will be brief and shallow with limited global spillovers.”

S&P Global (formerly IHS Markit)

Monday, [U.S. Manufacturing PMI](#): “The seasonally adjusted S&P Global U.S. Manufacturing Purchasing Managers’ Index (PMI) posted 50.2 in April, up from 49.2 in March, and broadly in line with the earlier released ‘flash’ estimate of 50.4. The latest index reading was the first to post above the 50.0 neutral mark for six months and was the highest since October 2022.”

Wednesday, [U.S. Services PMI](#): “The seasonally adjusted final S&P Global U.S. Services PMI Business Activity Index registered 53.6 at the start of the second quarter, up from 52.6 in March and broadly in line with the earlier released ‘flash’ estimate of 53.7. The latest data signaled the third successive monthly increase in output at service providers, with the rate of growth accelerating to the fastest for a year. Panelists stated that output increased amid greater customer confidence and another increase in new business.”

Wednesday, [U.S. Sector PMI](#): “Six out of seven U.S. sectors reported an increase in business activity during April, up from five in March and the highest number for exactly one year. A renewed decline in business activity in the Financials category was the only exception to the growth seen elsewhere across the U.S. private sector in April. . . . However, the rate of [financial sector] decline was only fractional and much less marked than seen throughout the second half of 2022.”

Thursday, [PMI Commodity Price and Supply Indicators](#): “Manufacturers worldwide experienced a further softening of price and supply pressures during April. The Global Price Pressures index fell to its joint-lowest level in almost three years. . . . The sharpest increase was seen for semiconductors where prices rose at nearly five times the normal speed (index at 4.8), whereas oil registered the fastest decrease in price (-1.0). . . . The Global Supply Shortages Index dipped to a 31-month low to indicate the lowest number of supplier shortfall reports since September 2020.”

Friday, [Global Composite PMI](#): “The JP Morgan Global Composite Output Index . . . rose to 54.2 in April, up from 53.4 in March. The headline index has remained above the neutral 50.0 mark—signaling expansion—in each of the past three months. . . . All of the 14 nations for which April composite PMI data were available registered an expansion of combined manufacturing and service sector output, the first time concurrent growth has been recorded since June 2022.”

Employment and Businesses:

ADP

Wednesday, [National Employment Report](#): “Private sector employment increased by 296,000 jobs in April and annual pay was up 6.7 percent year-over-year. . . . Pay growth continued its nearly year-

long slowdown. Job changers in particular saw a dramatic decline, with pay slowing from 14.2 percent growth to 13.2 percent, the slowest pace of growth since November 2021.”

Challenger, Gray, & Christmas

Thursday, [Job Cuts Report](#): “U.S.-based employers announced 66,995 cuts in April, a 176 percent increase from the 24,286 cuts announced in April 2022. It fell 25 percent from the 89,703 cuts announced in March. . . . So far this year, employers announced plans to cut 337,411 jobs, a 322 percent increase from the 79,982 cuts announced in the first four months of 2022. . . . With the exclusion of 2020, this is the highest January-April total since 2009.”

Institute for Supply Management

Monday, [Manufacturing PMI](#): “The April Manufacturing PMI registered 47.1 percent, 0.8 percentage point higher than the 46.3 percent recorded in March. Regarding the overall economy, this figure indicates a fifth month of contraction after a 30-month period of expansion. . . . However, the Manufacturing PMI improved compared to the previous month, indicating slower contraction.”

Wednesday, [Services PMI](#): “In April, the Services PMI registered 51.9 percent, 0.7 percentage point higher than March’s reading of 51.2 percent. The composite index indicated growth in April for the fourth consecutive month. . . . The composite index has indicated expansion for all but three of the previous 159 months.”

National Federation of Independent Business

Thursday, [Small Business Jobs Report](#): “Small business owners continue to struggle to find workers, with 45 percent (seasonally adjusted) of all owners reporting job openings they could not fill in the current period. . . . Small business owners’ plans to fill open positions remain elevated, with a seasonally adjusted net 17 percent planning to create new jobs in the next three months.”

Paychex | IHS Markit

Tuesday, [Small Business Employment Watch](#): “After increasing every month in 2023, the Small Business Jobs Index, which measures the change in national employment growth for businesses with less than 50 employees, declined slightly by 0.24 percent from March and now stands at 99.49 in April. . . . The South led all regions in small business employment growth for the 13th consecutive month and remained the only region with an index above 100.”

Mortgages and Housing Markets:

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “30-year fixed-rate mortgage averaged 6.39 percent as of May 4, 2023, down from last week when it averaged 6.43 percent. A year ago at this time, the 30-year FRM averaged 5.27 percent.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications decreased 1.2 percent from one week earlier, according to data . . . for the week ending April 28, 2023. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$726,200 or less) decreased to 6.50 percent from 6.55 percent.”