

## Economic Update, January 13, 2023

Submitted by Bob Moreo

Summary: It looks like U.S. consumers may have done a lot of their early holiday shopping with their credit cards. [Federal Reserve data for November 2022](#) showed revolving debt increased at an annual rate of 16.9 percent. However, some of those purchases did get a little cheaper: inflation fell 0.1 percent in December, and that was enough to be [“the largest month-over-month decrease since April 2020.”](#) The report was in line with expectations. Retailers, meanwhile, [added the fewest number of seasonal jobs since 2009](#). Initial unemployment claims for the first week of 2023 [“fell to their lowest level in 15 weeks,”](#) and the 205,000 weekly figure [beat economists’ expectations of 215,000](#). Surveys from the New York Fed and University of Michigan showed rising optimism for the year ahead among U.S. households and consumers in December and early January.

TACIR is proud to announce that our partners at the Business and Economic Research Center at MTSU [received the 2022 National Award of Excellence](#) from the Association for University Business and Economic Research for their Tracking Tennessee’s Economy interactive dashboard. [The dashboard has been updated with data for November 2022](#), which showed positive monthly employment growth in several sectors and a jump in permits for single-family home construction.

### **Federal Government Indicators and Reports:**

#### Bureau of Labor Statistics

Thursday, [Consumer Price Index](#): “The Consumer Price Index for All Urban Consumers (CPI-U) declined 0.1 percent in December on a seasonally adjusted basis, after increasing 0.1 percent in November. . . . Over the last 12 months, the all items index increased 6.5 percent before seasonal adjustment. . . . The index for all items less food and energy rose 0.3 percent in December, after rising 0.2 percent in November. . . . The all items less food and energy index rose 5.7 percent over the last 12 months.”

Thursday, [Real Earnings](#): “Real average hourly earnings for all employees increased 0.4 percent from November to December, seasonally adjusted. . . . This result stems from an increase of 0.3 percent in average hourly earnings combined with a decrease of 0.1 percent in the Consumer Price Index. . . . Real average hourly earnings decreased 1.7 percent, seasonally adjusted, from December 2021 to December 2022.”

Friday, [U.S. Import and Export Price Indexes](#): “U.S. import prices advanced 0.4 percent in December, the first monthly increase since the index rose 0.2 percent in June 2022. The December advance followed a 4.6-percent decline from June to November. . . . The price index for U.S. exports fell 2.6 percent in December, after declines of 0.4 percent in both November and October. U.S. export prices have not increased on a monthly basis since a 1.1-percent advance in June 2022.”

#### Bureau of Transportation Statistics

Thursday, [Freight Transportation Services Index](#): The index “fell 1.8 percent in November from October, falling for the second consecutive month. . . . From November 2021 to November 2022 the index fell 0.1 percent.”

#### Census Bureau

Tuesday, [Monthly Wholesale Trade](#): “November 2022 sales of merchant wholesalers . . . were \$693.7 billion [seasonally adjusted], down 0.6 percent from the revised October level, but were up 8.7

percent from the revised November 2021 level. The September 2022 to October 2022 percent change was revised from the preliminary estimate of up 0.4 percent to virtually unchanged. Total inventories . . . were \$933.1 billion at the end of November, up 1.0 percent from the revised October level. Total inventories were up 20.9 percent from the revised November 2021 level.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending January 7, the advance figure for seasonally adjusted initial claims was 205,000, a decrease of 1,000 from the previous week’s revised level. . . . The 4-week moving average was 212,500, a decrease of 1,750 from the previous week’s revised average.” In Tennessee, the unadjusted advance figure for initial claims was 5,376—an increase of 2,113 from the previous week.

Federal Reserve Board

Monday, [Consumer Credit](#): “In November, consumer credit increased at a seasonally adjusted annual rate of 7.1 percent. Revolving credit increased at an annual rate of 16.9 percent, while nonrevolving credit increased at an annual rate of 3.9 percent.”

### **Economic Sentiment and Confidence:**

Federal Reserve Bank of New York

Monday, [Survey of Consumer Expectations](#): “Household spending expectations fell sharply in December, while income growth expectations rose to a new series high. Home price expectations rose slightly but remain below their pre-pandemic levels. Households’ perceptions about their current financial situation and their expectations about their future financial situation one year from now improved in December. Median one-year-ahead inflation expectations continued to decline in December, falling by 0.2 percentage point to 5.0 percent, its lowest reading since July 2021.”

Investor’s Business Daily

Tuesday, [Economic Optimism Index](#): The index “slipped six-tenths of a point to a gloomy 42.3 in January. The index has been stuck in pessimistic territory, below the 50 neutral level, for 17 straight months, but it’s still 4.2 points above the 11-year low matched in August.”

University of Michigan

Friday, [Index of Consumer Sentiment](#) (preliminary): “Consumer sentiment [in January] remained low from a historical perspective but continued lifting for the second consecutive month, rising 8 percent above December and reaching about 4 percent below a year ago. Current assessments of personal finances surged 16 percent to its highest reading in eight months on the basis of higher incomes and easing inflation. Although the short-run economic outlook fell modestly from December, the long-run outlook rose 7 percent to its highest level in nine months and is now 17 percent below its historical average.”

### **Employment and Businesses:**

Challenger, Gray, & Christmas

Wednesday, [2022 Seasonal Hiring Report](#): “Retailers added 98,000 jobs in December, the lowest December total since 2019 when 78,000 jobs were added. It is 24 percent lower than the 128,400 jobs added in December of 2021. In the fourth quarter, Retailers added 519,400, 26 percent

lower than the 701,400 jobs added in the same period in 2021. It is the lowest number of jobs added since 495,800 were added in the fourth quarter of 2009.”

The Conference Board

Monday, [Employment Trends Index \(ETI\)](#): The index “fell in December to 116.31 from a downwardly revised 117.14 in November 2022. . . . ‘The ETI declined for the third consecutive month in December 2022—a signal that further deceleration in job growth is likely over the coming months,’ said Frank Steemers, Senior Economist at The Conference Board. ‘However, the ETI remains at a high level and job gains are currently still robust. . . . Looking ahead, we expect the Federal Reserve’s rapid interest rate hikes to have a more visible, negative impact on the economy and job growth as 2023 proceeds.’”

National Federation of Independent Business

Tuesday, [Small Business Optimism Index](#): The index “declined 2.1 points in December to 89.8, marking the 12th consecutive month below the 49-year average of 98. Owners expecting better business conditions over the next six months worsened by eight points from November to a net negative 51 percent. Inflation remains the single most important business problem with 32 percent of owners reporting it as their top problem in operating their business.”

### **Mortgages and Housing Markets:**

Fannie Mae

Monday, [Home Purchase Sentiment Index](#): The index “increased 3.7 points in December to 61.0, but the index remains only slightly above its all-time low set in October. Three of the index’s six components improved month over month, including those associated with homebuying conditions, mortgage rate outlook, and job security. Only 21 percent of respondents believe it’s a good time to buy, likely owing to the ongoing affordability challenges posed by elevated mortgage rates and home prices. Year over year, the full index is down 13.2 points.”

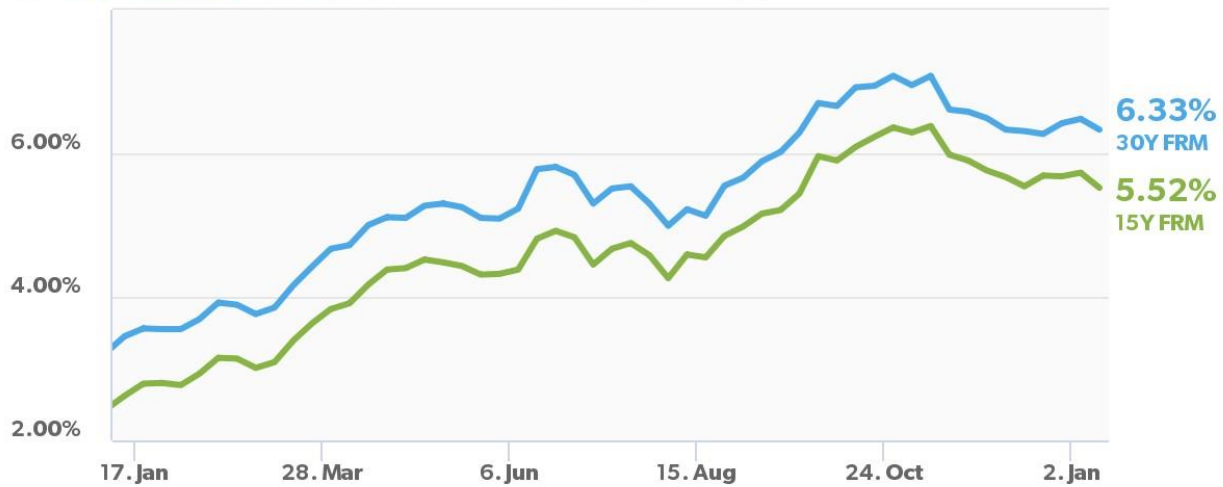
Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “[The] 30-year fixed-rate mortgage averaged 6.33 percent as of January 12, 2023, down from last week when it averaged 6.48 percent. A year ago at this time, the 30-year FRM averaged 3.45 percent.”



## Primary Mortgage Market Survey®

U.S. weekly average mortgage rates as of 01/12/2023



### Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications increased 1.2 percent from one week earlier, according to data . . . for the week ending January 6, 2023. . . . ‘Purchase applications continued to be hampered by broader weakness in the housing market and declined slightly over the week, with the index slipping to its lowest level since 2014,’ said Joel Kan, MBA’s Vice President and Deputy Chief Economist. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$647,200 or less) decreased to 6.42 percent from 6.58 percent.”