Economic Update, June 9, 2023

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Summary: Federal government indicators and reports this week show an increase in retailers' profits and selected services revenue, while also indicating a slight decrease in manufacturers' profits. Indicators displayed an upturn in business activity across the U.S. service sector, with trends supported by a "strong expansion in new business." The highest level for initial unemployment claims since October 30, 2021 was reported for last week, coming in at 261,000. In the housing market, the Fannie Mae Home Purchase Sentiment Index displayed a decrease in customers' belief that it is a "good time to buy," and an increase in customers' belief that it is a "good time to sell." Meanwhile, both 30-year and 15-year fixed-mortgage rates decreased from the previous week.

Federal Government Indicators and Reports

Census Bureau

Tuesday, Quarterly Profits—Manufacturers: "U.S. manufacturing corporations' seasonally adjusted after-tax profits in the first quarter of 2023 totaled $230.5 billion, down $4.1 billion from the after-tax profits of $234.6 billion recorded in the fourth quarter of 2022, and down $35.8 billion from the after-tax profits of $266.3 billion recorded in the first quarter of 2022."

Tuesday, Quarterly Profits—Retailers: "Seasonally adjusted after-tax profits of U.S. retail corporations with assets of $50 million and over totaled $36.6 billion, up $5.6 billion from the $31.0 billion recorded in the fourth quarter of 2022, and up $1.7 billion from the $35.0 billion recorded in the first quarter of 2022."

Friday, Selected Services Revenue: "U.S. selected services total revenue for the first quarter of 2023, adjusted for seasonal variation but not for price change, was $5,201.3 billion, an increase of 2.9 percent from the fourth quarter of 2022 and up 9.7 percent from the first quarter of 2022. . . . U.S. real estate and rental and leasing revenue for the first quarter of 2023, adjusted for seasonal variation but not for price changes, was $237.5 billion, an increase of 6.7 percent from the fourth quarter of 2022 and up 4.1 percent from the first quarter of 2022. . . . U.S. health care and social assistance services revenue for the first quarter of 2023, adjusted for seasonal variation but not for price changes, was $856.3 billion, an increase of 3.2 percent from the fourth quarter of 2022 and up 9.8 percent from the first quarter of 2022."

Bureau of Economic Analysis:

Wednesday, U.S. International Trade in Goods and Services: "The U.S. Census Bureau and the U.S. Bureau of Economic Analysis announced today that the goods and services deficit was $74.6 billion in April, up $14.0 billion from $60.6 billion in March, revised."

Bureau of Transportation Statistics

Wednesday, Transportation Services Index: "The Freight Transportation Services Index (TSI), which is based on the amount of freight carried by the for-hire transportation industry, fell 1.2 percent in April from March, falling for the second consecutive month. . . . From April 2022 to April 2023 the index fell 2.5 percent."

Department of Labor

Thursday, Initial Unemployment Claims: "In the week ending June 3, the advance figure for seasonally adjusted initial claims was 261,000, an increase of 28,000 from the previous week's revised level. This is the highest level for initial claims since October 30, 2021 when it was 264,000."

For Tennessee in the week ending in June 3, the advance figure (unadjusted) for initial claims was 3,866, an increase of 634 from the prior week. The advance figure for insured unemployment for the week ending in May 27 was 14,311, an increase of 146 from the prior week.

Federal Indicators and Confidence

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 2.2 percent on June 8, unchanged from June 7 after rounding."

S&P Global

Monday, Global U.S. Sector Purchasing Managers' Index (PMI): "May data pointed to rising business activity in six out of seven U.S. sectors. Basic Materials was the only category to register an outright decline in output volumes. . . . Technology (index at 58.8) was by far the best performing sector monitored by the survey in May, with business activity increasing at the fastest pace for just over a year."

Monday, Global U.S. Services PMI: "Business activity across the U.S. service sector grew at a sharper pace in May, according to the latest PMI data from S&P Global. Output rose at the fastest rate for just over a year, supported by a strong expansion in new business. The upturn in new orders was driven by improved demand conditions in both domestic and exports markets. . . . The seasonally adjusted final S&P Global U.S. Service PMI Business Activity Index registered 54.9 in May, up from 53.6 in April."

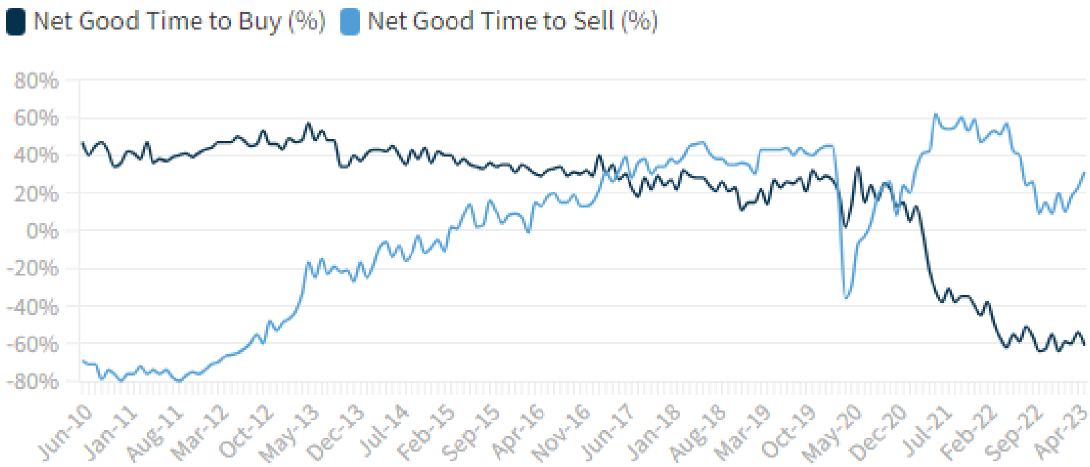
Mortgages and Housing Markets

Fannie Mae

Wednesday, Home Purchase Sentiment Index: "The Fannie Mae Home Purchase Sentiment Index (HPSI) decreased in May by 1.2 points to 65.6, as affordability constraints continue to color consumers' perceptions of homebuying and home-selling conditions. Four of the HPSI's six components decreased month over month, most notably the component polling customers' belief that it's a 'good time to buy,' which is once again nearing its survey low. The 'good time to sell' component, however, increased in May to its highest level since last July. Additionally, for the second consecutive month, a greater share of customers indicated that they expect home prices to increase over the next year. The full index is down 2.6 points year over year."

Consumer attitudes toward homebuying and home-selling conditions diverged further in May

Only 19% believe it's a good time to buy a home; 65% believe it's a good time to sell



Source: Home Purchase Sentiment Index® (HPSI)

Freddie Mac

Thursday, Primary Mortgage Market Survey: "30- year fixed-rate mortgage averaged 6.71 percent as of June 8, 2023, down from last week when it averaged 6.79 percent. A year ago at this time, the 30-year FRM averaged 5.23 percent. . . . 15-year fixed-rate mortgage averaged 6.07 percent, down from last week when it averaged 6.18 percent. A year ago at this time, the 15-year FRM averaged 4.38 percent."

Mortgage Bankers Association

Wednesday, Mortgage Applications: "Mortgage Applications decreased 1.4 percent from one week earlier." According to Joel Kan, MBA's vice president and deputy chief economist, "Mortgage rates declined last week from a recent high, but total application activity slipped for the fourth straight week. . . . Overall applications were more than 30 percent lower than a year ago, as borrowers continue to grapple with the higher rate environment. Purchase activity is constrained by reduced purchasing power from higher rates and the ongoing lack of for-sale inventory in the market, while there continues to be very little rate incentive for refinance borrowers."