

Economic Update, February 24, 2023

Submitted by Bob Moreo

Summary: Some troubling news this week from [S&P/Experian](#) showed the rate of consumer credit defaults rose for the third consecutive month in January. The company said that bank card defaults were at their highest since April 2021. Apparently, though, consumers feel confident that they'll figure things out. Consumer confidence improved in February for the third consecutive month, although the index ["remains almost 20 points below its historical average."](#) According to [State Street Global Markets](#), investors in Europe and Asia are increasingly optimistic as well, pleased with "the pace and progress of China's economic reopening process . . . stable energy prices and a relatively mild winter in Europe." North American investors, however, were less confident, "follow[ing] a string of stronger than expected U.S. data that has pushed the market to once again raise its expectations for Fed rate hikes."

Sales of new single-family homes rebounded in January, coming in with the strongest month since last March. But as Reuters reports, ["a resurgence in mortgage rates could slow a much anticipated housing market turnaround."](#) The Mortgage Bankers Association's Joel Kan said a spike in interest rates drove the purchase applications index to its ["lowest level since 1995."](#) ["Existing-home sales fell for the twelfth straight month in January,"](#) according to the National Association of Realtors.

Federal Government Indicators and Reports:

Bureau of Economic Analysis

Thursday, [Gross Domestic Product](#): "Real gross domestic product (GDP) increased at an annual rate of 2.7 percent in the fourth quarter of 2022, according to the 'second' estimate released by the Bureau of Economic Analysis. . . . In the advance estimate, the increase in real GDP was 2.9 percent. The updated estimates primarily reflected a downward revision to consumer spending that was partly offset by an upward revision to nonresidential fixed investment."

Friday, [Personal Income and Outlays](#): "Personal income increased \$131.1 billion (0.6 percent) in January. . . . Disposable personal income (DPI) increased \$387.4 billion (2.0 percent) and personal consumption expenditures (PCE) increased \$312.5 billion (1.8 percent). . . . The PCE price index increased 0.6 percent in January."

Bureau of Labor Statistics

Wednesday, [County Employment and Wages](#): "From September 2021 to September 2022, employment increased in 346 of the 355 largest U.S. counties. . . . In September 2022, national employment increased to 151.2 million, a 4.3-percent increase over the year. . . . Among the 355 largest counties, 345 had over-the-year increases in average weekly wages. In the third quarter of 2022, average weekly wages for the nation increased to \$1,334, a 6.7-percent increase over the year."

Table 1. Covered establishments, employment, and wages in the 356 largest counties, third quarter 2022

County ¹	Establishments, third quarter 2022 (thousands)	Employment			Average weekly wage ²		
		September 2022 (thousands)	Percent change, September 2021-22 ³	Ranking by percent change	Third quarter 2022	Percent change, third quarter 2021-22 ³	Ranking by percent change
United States ⁴	11,608.9	151,239.6	4.3	-	\$1,334	6.7	-
Davidson, TN.....	31.9	544.9	6.5	18	1,440	6.9	219
Hamilton, TN.....	12.3	211.9	4.7	75	1,225	9.8	59
Knox, TN.....	15.8	252.8	4.4	96	1,152	7.2	196
Rutherford, TN.....	7.7	140.5	5.4	45	1,165	9.3	80
Shelby, TN.....	23.7	497.0	2.4	258	1,308	4.1	320
Williamson, TN.....	12.9	151.1	6.7	14	1,508	8.3	127

Bureau of Transportation Statistics

Tuesday, [North American Freight Data](#): The total value of transborder freight between the U.S., Canada, and Mexico in December 2022 was \$121.7 billion, up 3.5 percent compared to December 2021. “Freight between the U.S. and Canada totaled \$60.7 billion, up 0.2 percent from December 2021. . . . Freight between the U.S. and Mexico totaled \$61.0 billion, up 7.0 percent from December 2021.”

Census Bureau

Friday, [New Residential Sales](#): “Sales of new single-family houses in January 2023 were at a seasonally adjusted annual rate of 670,000. . . . This is 7.2 percent above the revised December rate of 625,000, but is 19.4 percent below the January 2022 estimate of 831,000. . . . The median sales price of new houses sold in January 2023 was \$427,500. The average sales price was \$474,400.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending February 18, the advance figure for seasonally adjusted initial claims was 192,000, a decrease of 3,000 from the previous week’s revised level. The previous week’s level was revised up by 1,000 from 194,000 to 195,000. The 4-week moving average was 191,250.” In Tennessee, the advance figure for initial claims the week ending February 18 (not seasonally adjusted) was 2,067. There were 2,622 claims the week prior.

Federal Reserve Bank of Chicago

Thursday, [Chicago Fed National Activity Index](#): “Led by improvements in production-related indicators, the Chicago Fed National Activity Index (CFNAI) rose to +0.23 in January from -0.46 in December. Three of the four broad categories of indicators used to construct the index made positive contributions in January, and three categories improved from December.”

Economic Indicators and Confidence:

S&P Global

Tuesday, [S&P Global Flash U.S. Composite Purchasing Managers' Index](#): “The headline Flash U.S. PMI Composite Output Index registered 50.2 in February, up sharply from 46.8 in January. The latest reading was the highest for eight months and signaled broadly unchanged output on the month across the private sector. Service sector firms registered a fractional uptick in business activity while manufacturers reported a slower decrease in output. . . . The S&P Global Flash U.S. Services Business Activity Index posted 50.5 in February, up from 46.8 in January, and signaled the first expansion in

service sector output since June 2022. . . . The S&P Global Flash U.S. Manufacturing PMI posted 47.8 in February, up from 46.9 at the start of the year. The latest index reading signaled a further deterioration in manufacturing performance, albeit one that was the softest in the current four-month sequence of decline.”

Tuesday, [S&P Global Flash Eurozone PMI](#): “Eurozone business activity growth accelerated to a nine-month high in February, reflecting an improved performance of the service sector and a return to growth of manufacturing output. Rising demand, healing supply chains, order book backlog reduction and improved confidence underpinned the upturn. . . . The seasonally adjusted S&P Global ‘flash’ Eurozone PMI Composite Output Index . . . rose for a fourth successive month in February, climbing to 52.3 from 50.3 in January to indicate the strongest expansion of business activity since last May.”

Tuesday, [S&P/Experian Consumer Credit Default Indexes](#): The composite consumer credit default rate in January 2023 “was six basis points higher at 0.69 percent. The bank card default rate was 27 basis points higher at 3.04 percent while the auto loan default rate was up 7 basis points to 0.94 percent. The first mortgage default rate increased five basis points to 0.48 percent.”

State Street

Wednesday, [Investor Confidence Index \(ICI\)](#): “The Global Investor Confidence Index increased to 77.5, up 1.1 points from January’s revised reading of 76.4. The increase was led by a 5.8 point rise in Asian ICI to 98.2, as well as a 4.1 point increase in European ICI to 106.4. North American ICI, meanwhile, fell 0.3 points to 72.8.”

University of Michigan

Friday, [Index of Consumer Sentiment](#): “Consumer sentiment lifted for the third straight month in February, rising a modest 3 percent above January, supported by a 12 percent improvement in consumers’ outlook over the economy for the year ahead. . . . The Consumer Sentiment Index rose to 67.0 in the February 2023 survey, up from 64.9 in January and above last February’s 62.8. The Current Index rose to 70.7, up from 68.4 in January and above last February’s 68.2. The Expectations Index rose to 64.7, up from 62.7 in January and above last February’s 59.4.”

Mortgages and Housing Markets:

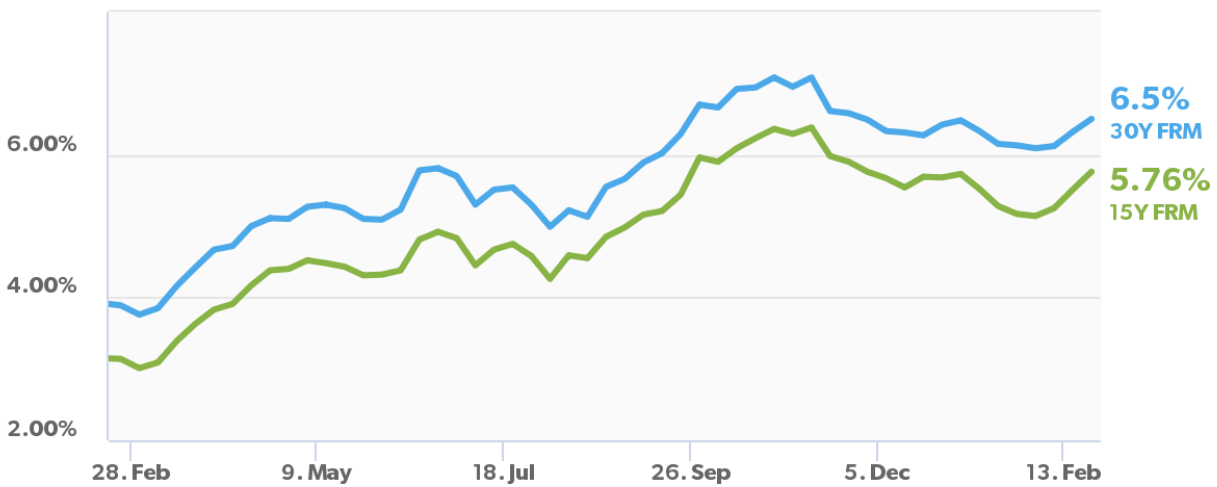
Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “[The] 30-year fixed-rate mortgage averaged 6.50 percent as of February 23, 2023, up from last week when it averaged 6.32 percent. A year ago at this time, the 30-year FRM averaged 3.89 percent.”



Primary Mortgage Market Survey®

U.S. weekly average mortgage rates as of 02/23/2023



Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications decreased 13.3 percent from one week earlier, according to data from the . . . week ending February 17, 2023.” Joel Kan, MBA’s vice president and deputy chief economist, said, “Mortgage rates increased across all loan types last week, with the 30-year fixed rate jumping 23 basis points to 6.62 percent—the highest rate since November 2022. The jump led to the purchase applications index decreasing 18 percent to its lowest level since 1995.”

Thursday, [Purchase Applications Payment Index](#): “Homebuyer affordability declined in January, with the national median payment applied for by purchase applicants increasing 2.3 percent to \$1,964 from \$1,920 in December 2022.” According to Edward Seiler, an MBA associate vice president, “Homebuyer affordability declined slightly due to the increase in the median purchase application amount, which inched up \$12,000 to \$312,000.”

National Association of Realtors

Tuesday, [Existing Home Sales](#): “Existing-home sales waned for the twelfth consecutive month to a seasonally adjusted annual rate of 4.00 million. Sales slipped 0.7 percent from December 2022 and 36.9 percent from the previous year. . . . The median existing-home sales price increased 1.3 percent from one year ago to \$359,000. . . . The inventory of unsold existing homes grew from the prior month to 980,000 at the end of January, or the equivalent of 2.9 months’ supply at the current monthly sales pace.”