

## Economic Update, January 6, 2023

Submitted by Chris Belden

Summary: The most anticipated release in the first week of 2023 was December's jobs report. A total of 223,000 jobs were added in December, and the unemployment rate decreased to 3.5 percent, signaling a stubbornly strong labor market heading into the new year. However, December's jobs gain was the smallest in two years, suggesting that the labor market [may be beginning to cool](#). In other news, the manufacturing sector contracted for a second straight month, with the Institute for Supply Management's manufacturing Purchasing Managers' Index reading at its lowest level since May of 2020.

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

#### U.S. Census

Tuesday (12/27), [Goods Trade](#): "The international trade deficit was \$83.3 billion in November, down \$15.5 billion from \$98.8 billion in October. Exports of goods for November were \$168.9 billion, \$5.3 billion less than October exports. Imports of goods for November were \$252.2 billion, \$20.8 billion less than October imports."

Wednesday, [Construction Spending](#): "Construction spending during November 2022 was estimated at a seasonally adjusted annual rate of \$1,807.5 billion, 0.2 percent above the revised October estimate of \$1,803.2 billion. The November figure is 8.5 percent above the November 2021 estimate of \$1,665.2 billion."

#### Bureau of Economic Analysis

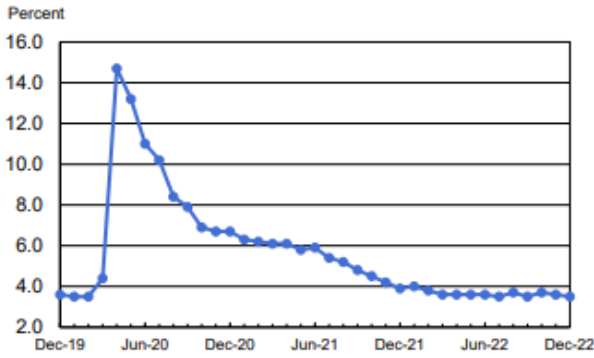
Thursday, [International Trade](#): "The goods and services deficit was \$61.5 billion in November, down \$16.3 billion from \$77.8 billion in October, revised."

#### Bureau of Labor Statistics

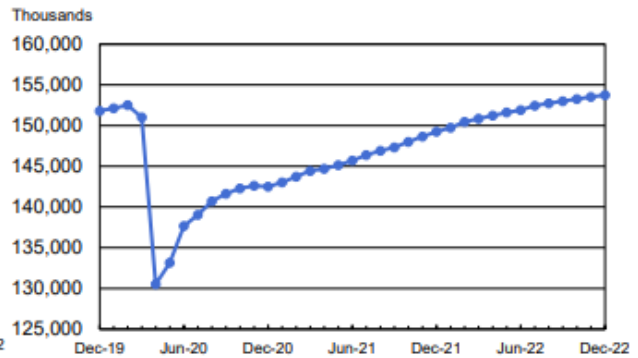
Wednesday, [Job Openings and Labor Turnover Survey](#): "The number of job openings was little changed at 10.5 million on the last business day of November. . . . The number of total separations changed little at 5.9 million, and the rate held at 3.8 percent."

Friday, [Employment Situation](#): "Total nonfarm payroll employment increased by 223,000 in December, and the unemployment rate edged down to 3.5 percent. . . . Notable job gains occurred in leisure and hospitality, health care, construction, and social assistance."

**Chart 1. Unemployment rate, seasonally adjusted, December 2019 – December 2022**

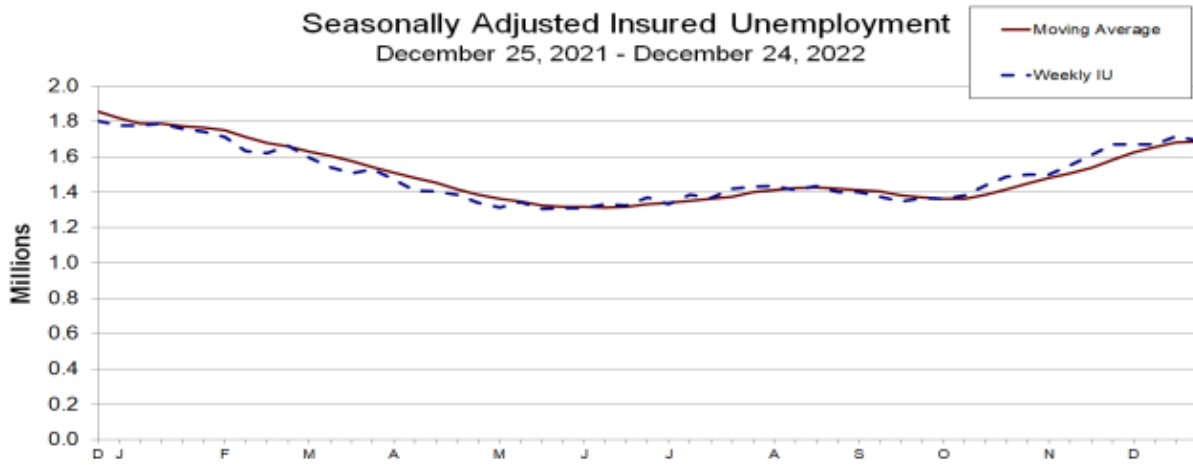
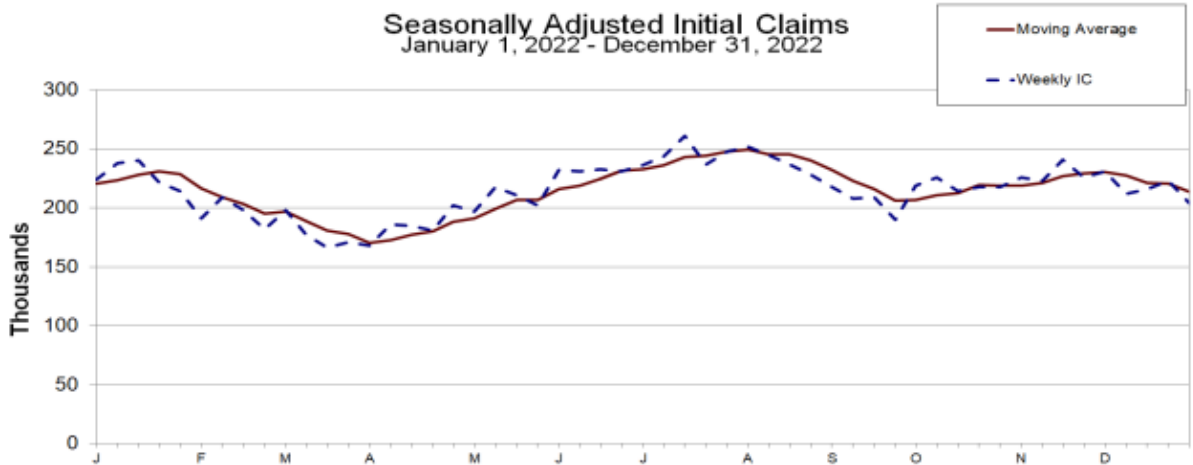


**Chart 2. Nonfarm payroll employment, seasonally adjusted, December 2019 – December 2022**



Department of Labor

Thursday, [Weekly Initial Claims](#): “In the week ending December 31, the advance figure for seasonally adjusted initial claims was 204,000, a decrease of 19,000 from the previous week's revised level. . . . The 4-week moving average was 213,750, a decrease of 6,750 from the previous week's revised average.”



## **Economic Indicators and Confidence**

Institute for Supply Management

Wednesday, [Manufacturing Purchasing Managers' Index](#): “The December Manufacturing PMI registered 48.4 percent, 0.6 percentage point lower than the 49 percent recorded in November. Regarding the overall economy, this figure indicates contraction after 30 straight months of expansion.”

S&P Global

Tuesday, [Manufacturing PMI](#): “The seasonally adjusted S&P Global U.S. Manufacturing Purchasing Managers’ Index posted 46.2 in December, down from 47.7 in November. . . . The latest data signaled the fastest decline in operating conditions since May 2020, and was among the sharpest since 2009.”

Thursday, [Services PMI](#): “U.S. service providers signaled a sharp fall in business activity at the end of the year.” The index decreased from 46.2 to 44.7 from November to December.

Thursday, [Sector PMI](#): “Business activity declined in six out of seven U.S. sectors monitored by S&P Global PMI data in December 2022. Technology was the exception, with output volumes increasing for the fourth consecutive month. The rate of growth was nonetheless only modest and eased to its weakest since last September. . . . Financials remained by far the weakest-performing category in December, with the latest survey indicating a sharp and accelerated decline in business activity.”

## **Mortgages and Housing Markets**

S&P/Case-Schiller

Tuesday (12/27), [Home Price Index](#): The index “reported a 9.2 percent annual gain in October, down from 10.7 percent in the previous month.”

Federal Housing Finance Agency

Tuesday (12/27), [House Price Index](#): “House prices were flat nationwide in October, experiencing a 0.0 percent change from the previous month. . . . House prices rose 9.8 percent from October 2021 to October 2022. The previously reported 0.1 percent price increase in September 2022 remained unchanged.”

National Association of Realtors

Wednesday (12/28), [Pending Home Sales](#): “Pending home sales slid for the sixth consecutive month in November. . . . ‘Pending home sales recorded the second-lowest monthly reading in 20 years as interest rates, which climbed at one of the fastest paces on record this year, drastically cut into the number of contract signings to buy a home,’ said NAR Chief Economist Lawrence Yun. ‘Falling home sales and construction have hurt broader economic activity.’” NAR’s Pending Home Sales Index “fell 4.0 percent to 73.9 in November. Year-over-year, pending transactions dropped by 37.8 percent.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 13.2 percent from two weeks earlier. . . for the week ending December 30, 2022.” According to Joel Kan, MBA’s vice president and chief deputy economist: “The end of the year is typically a slower time for the housing market, and with mortgage rates still well above 6 percent and the threat of a recession looming, mortgage applications continued to decline over the past two weeks to the lowest level since 1996.”