

Economic Update, March 24, 2023
Submitted by Michael Mount

Summary: The Federal Reserve’s attempt to balance concerns over the banking sector with the fight against inflation led the economic news this week. The Fed decided to increase its key interest rate 0.25 percent, while assuring the public that “the U.S. banking system is sound and resilient.” It also revised its forecast of real Gross Domestic Product (GDP) growth in 2023 downward from 0.5 percent to 0.4 percent. Although business spending on equipment (new orders of non-defense capital goods, excluding aircraft) grew slightly in February, overall durable goods orders remain weak. New residential home sales rebounded somewhat—increasing month-over-month for the first time in a year—as mortgage rates fall, but sales remain well below what they were one year ago.

Federal Government Indicators and Reports

U.S. Census

Friday, [Durable Goods](#): “New orders for manufactured durable goods in February, down three of the last four months, decreased \$2.6 billion or 1.0 percent to \$268.4 billion.” New orders of non-defense capital goods, excluding aircraft, increased 0.2 percent from January to February 2023.

Bureau of Labor Statistics

Tuesday, [State Job Openings and Labor Turnover](#): “Job openings rates decreased in 13 states and the District of Columbia and increased in 3 states on the last business day of January.” In Tennessee, job openings decreased by 20,000 from December 2022 to January 2023, from 263,000 to 243,000.

Bureau of Economic Analysis

Thursday, [U.S. International Transactions](#): “The U.S. current-account deficit, which reflects the combined balances on trade in goods and services and income flows between U.S. residents and residents of other countries, narrowed by \$12.2 billion, or 5.6 percent, to \$206.8 billion in the fourth quarter of 2022.”

Department of Labor

Thursday, [Initial Claims](#): “In the week ending March 18, the advance figure for seasonally adjusted initial claims was 191,000, a decrease of 1,000 from the previous week’s unrevised level of 192,000.”

Economic Indicators and Confidence

Federal Reserve

Wednesday, [Interest Rate Decision](#): “Recent indicators point to modest growth in spending and production. Job gains have picked up in recent months and are running at a robust pace; the unemployment rate has remained low. Inflation remains elevated. The U.S. banking system is sound and resilient. . . . The Committee decided to raise the target range for the federal funds rate to 4-3/4 to 5 percent.”

Wednesday, [Chairman Powell’s Statement](#): “In the past two weeks, serious difficulties at a small number of banks have emerged. History has shown that isolated banking problems, if left unaddressed, can undermine confidence in healthy banks and threaten the ability of the banking system as a whole to play its vital role in supporting the savings and credit needs of households and businesses. That is why,

in response to these events, the Federal Reserve, working with the Treasury Department and the FDIC, took decisive actions to protect the U.S. economy and to strengthen public confidence in our banking system.”

Wednesday, [Economic Projections](#): The Federal Reserve projects that real Gross Domestic Product (GDP) growth will increase 0.4 percent in 2023, a decrease from its projection of 0.5 percent in December.



Thursday, [National Economic Activity Index](#): The index suggests that economic growth declined in February 2023, decreasing from +0.23 in January to -0.19. Negative values for the index are associated with below-average growth, while positive values are associated with above-average growth.

Mortgages and Housing Markets

National Association of Realtors

Tuesday, [Existing Home Sales](#): “Existing-home sales jumped 14.5 percent in February to a seasonally adjusted annual rate of 4.58 million, snapping a 12-month slide and representing the largest monthly percentage increase since July 2020 (+22.4 percent). Compared to one year ago, however, sales retreated 22.6 percent.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 3.0 percent from one week earlier. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$726,200 or less) decreased to 6.48 percent from 6.71 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to 6.02 percent from 6.14 percent.”

Census

Thursday, [New Residential Sales](#): “Sales of new single-family houses in February 2023 were at a seasonally adjusted annual rate of 640,000. . . . This is 1.1 percent above the revised January rate of 633,000, but is 19.0 percent below the February 2022 estimate of 790,000.”

