

Economic Update, June 2, 2023
Submitted by Michael Mount

Summary: Labor market indicators remained strong this week. The jobs report showed that hiring strengthened, with nonfarm payroll employment increasing to 339,000 in May. The number of job openings increased slightly to 10.1 million, including 245,000 in Tennessee. According to ADP, a human resources consultancy, private sector pay growth slowed, lessening concern that wages will drive more inflation. U.S. manufacturing continued to contract but at a slower rate.

Federal Government Indicators and Reports

Bureau of Labor Statistics

Wednesday, [Metro Area Employment and Unemployment](#): “Unemployment rates were lower in April than a year earlier in 252 of the 389 metropolitan areas, higher in 103 areas, and unchanged in 34 areas.” Tennessee’s unemployment rate decreased from 3.1 percent to 2.6 percent from March to April 2023. In April 2023, metro areas ranged from 2.1 percent (Nashville-Franklin-Murfreesboro) to 3.2 percent (Clarksville and Memphis).

Wednesday, [Job Openings and Labor Turnover](#): “The number of job openings edged up to 10.1 million on the last business day of April. . . . Over the month, the number of hires changed little at 6.1 million. Total separations decreased to 5.7 million.” Tennessee had 245,000 job openings ([link](#)).

Thursday, [Productivity and Costs](#): “Nonfarm business sector labor productivity decreased 2.1 percent in the first quarter of 2023 . . . as output increased 0.5 percent and hours worked increased 2.6 percent.”

Friday, [Jobs Report](#): “Total nonfarm payroll employment increased by 339,000 in May, and the unemployment rate rose by 0.3 percentage point to 3.7 percent.”

Chart 1. Unemployment rate, seasonally adjusted, May 2021 – May 2023

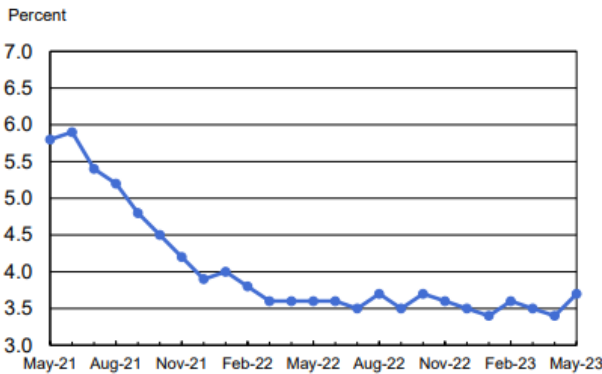
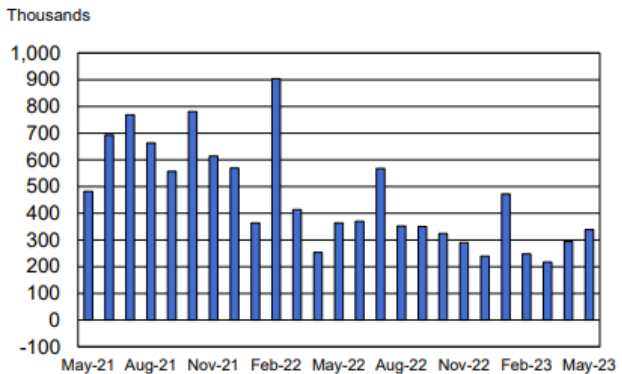


Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, May 2021 – May 2023



Department of Labor

Thursday, [Initial Claims](#): “In the week ending May 27, the advance figure for seasonally adjusted initial claims was 232,000, an increase of 2,000 from the previous week's revised level. The previous week's level was revised up by 1,000 from 229,000 to 230,000.”

U.S. Census

Thursday, [Construction Spending](#): “Construction spending during April 2023 was estimated at a seasonally adjusted annual rate of \$1,908.4 billion, 1.2 percent above the revised March estimate of \$1,885.0 billion. The April figure is 7.2 percent above the April 2022 estimate of \$1,780.9 billion.”

Economic Indicators and Confidence

The Conference Board

Tuesday, [Consumer Confidence](#): The index “fell in May to 102.3 (1985=100), down from an upwardly revised 103.7 in April.” According to Ataman Ozyildirim, senior director of economics at The Conference Board: “Consumer confidence declined in May as consumers’ view of current conditions became somewhat less upbeat while their expectations remained gloomy.”

Federal Reserve

Wednesday, [Governor Bowman](#): “Since the pandemic, and with the onset of high inflation, we have seen shifts in the availability of affordable housing and in the housing market more generally.”

Wednesday, [Governor Jefferson](#): “U.S. financial markets and institutions remain resilient even though financial stability risks and vulnerabilities in the U.S. financial system have increased since the recent stress events.”

Thursday, [GDPNow](#): “The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2023 is 2.0 percent on June 1, up from [1.9 percent on] May 26 after rounding.”

Wednesday, [Beige Book](#): “Economic activity was little changed overall in April and early May. . . . Expectations for future growth deteriorated a little, though contacts still largely expected a further expansion in activity.”

Challenger, Gray and Christmas

Thursday, [Job Cuts](#): “U.S.-based employers announced 80,089 cuts in May, a 20 percent increase from the 66,995 cuts announced one month prior. It is 287 percent higher than the 20,712 cuts announced in the same month in 2022.”

ADP

Thursday, [Employment](#): “Private sector employment increased by 278,000 jobs in May and annual pay was up 6.5 percent year-over-year. . . . ‘This is the second month we’ve seen a full percentage point decline in pay growth for job changers,’ said Nela Richardson, chief economist, ADP. ‘Pay growth is slowing substantially, and wage-driven inflation may be less of a concern for the economy despite robust hiring.’”

Institute for Supply Management

Thursday, [Manufacturing Purchasing Managers’ Index](#): The index “registered 47.1 percent, 0.8 percentage point higher than the 46.3 percent recorded in March. Regarding the overall economy, this figure indicates a fifth month of contraction after a 30-month period of expansion.”

Mortgages and Housing Markets

S&P Global

Tuesday, [Home Prices](#): “The modest increases in home prices we saw a month ago accelerated in March 2023,” says Craig J. Lazzara, managing director at S&P DJI. “The National Composite rose by 1.3 percent in March, and now stands only 3.6 percent below its June 2022 peak.”

Federal Housing Finance Administration

Tuesday, [Housing Prices](#): “U.S. house prices rose 4.3 percent between the first quarters of 2022 and 2023. . . . House prices were up 0.5 percent compared to the fourth quarter of 2022.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications decreased 3.7 percent from one week earlier. . . . ‘Inflation is still running too high, and recent economic data is beginning to convince investors that the Federal Reserve will not be cutting rates anytime soon. Mortgage rates for conforming, balance 30-year loans were being quoted above 7 percent by some lenders last week, and the weekly average at 6.9 percent reached the highest level since last November,’ said Mike Fratantoni, MBA’s SVP and Chief Economist.”