

Economic Update, June 23, 2023
Submitted by Michael Mount

Summary: The economic news this week was mostly bad. The leading economic index continues to point to a recession during the next 12 months, and the National Activity Index fell below its long-term trend, indicating below average economic growth. Manufacturing contracted, though the services sector reported a “[slower, but still solid, upturn in output](#).” Homebuilder confidence ticked up last month, but the median existing home price continued to decrease. Several members of the Federal Reserve testified to Congress about the continuing threat of inflation and other topics.

Federal Government Indicators and Reports

U.S. Census

Tuesday, [New Residential Construction](#): “Privately-owned housing units authorized by building permits in May were at a seasonally adjusted annual rate of 1,491,000. This is 5.2 percent above the revised April rate of 1,417,000 but is 12.7 percent below the May 2022 rate of 1,708,000.”

Bureau of Economic Analysis

Thursday, [Current Account](#): “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, widened by \$3.1 billion, or 1.5 percent, to \$219.3 billion in the first quarter of 2023.”

Department of Labor

Thursday, [Initial Claims](#): “In the week ending June 17, the advance figure for seasonally adjusted initial claims was 264,000, unchanged from the previous week’s revised level.” In Tennessee, initial claims decreased by 984 from the week prior.

Economic Indicators and Confidence

Federal Reserve

Wednesday, [Jefferson Testimony](#): Speaking to the U.S. Senate Committee on Banking, Housing, and Urban Affairs, Fed Governor Philip N. Jefferson said, “The economy faces multiple challenges including inflation, banking-sector stress, and geopolitical instability. The Federal Reserve must remain attentive to them all. Inflation has started to abate, and I remain focused on returning it to our 2 percent target. Despite recent stress, the U.S. banking system is sound and resilient, and I remain attuned to any threats to its stability.”

Wednesday, [Powell Testimony](#): Speaking to the U.S. House of Representatives Committee on Financial Services, Fed Chair Jerome H. Powell said, “The U.S. economy slowed significantly last year, and recent indicators suggest that economic activity has continued to expand at a modest pace. Although growth in consumer spending has picked up this year, activity in the housing sector remains weak, largely reflecting higher mortgage rates. Higher interest rates and slower output growth also appear to be weighing on business fixed investment.”

Thursday, [National Activity Index](#): “Led by declines in production-related indicators, the Chicago Fed National Activity Index (CFNAI) decreased to -0.15 in May from +0.14 in April.” Negative values for the index are associated with below average growth.

The Conference Board

Thursday, [Leading Economic Index](#): The index “declined by 0.7 percent in May 2023 to 106.7 (2016=100), following a decline of 0.6 percent in April.” According to Justyna Zabinska-La Monica,

senior manager, Business Cycle Indicators, at The Conference Board, “The U.S. Leading Index has declined in each of the last fourteen months and continues to point to weaker economic activity ahead.” The index “continues to signal a recession within the next 12 months.”



S&P Global

Friday, [Composite PMI](#): “U.S. companies signaled a further expansion of business activity at the end of the second quarter, although the rate of growth slowed to a three-month low. Manufacturers reported a renewed contraction in production while service providers saw a slower, but still solid, upturn in output.”

Mortgages and Housing Markets

National Association of Home Builders

Monday, [Builder Confidence](#): “Solid demand, a lack of existing inventory and improving supply chain efficiency helped shift builder confidence into positive territory for the first time in 11 months. Builder confidence in the market for newly built single-family homes in June rose five points to 55. . . . This marks the sixth straight month that builder confidence has increased and is the first time that sentiment levels have surpassed the midpoint of 50 since July 2022.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 0.5 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 6.73 percent from 6.77 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages increased to 6.26 percent from 6.25 percent.”

National Association of Realtors

Thursday, [Existing Home Sales](#): “Existing-home sales recorded a minor gain of 0.2 percent in May to a seasonally adjusted annual rate of 4.30 million. Sales retreated 20.4 percent from one year ago. . . . The median existing-home price for all housing types in May was \$396,100, a decline of 3.1 percent from May 2022 (\$408,600).”