

Economic Update, March 17, 2023

Submitted by Chris Belden

Summary: In a busy week for the economy, the consumer price index posted an increase of 6 percent for the past 12 months, the smallest such increase since September 2021. Additionally, initial jobless claims fell by 20,000 from the previous week, demonstrating once again that the labor market remains strong. While persistent inflation and a strong labor market typically point to a large interest rate increase by the Federal Reserve, the recent collapse of Silicon Valley Bank and the resulting tension in the banking system may cause the Fed to [opt for a modest increase](#) at their meeting next week. At a hearing before the U.S. Senate Finance Committee, Treasury Secretary Janet Yellen testified that the U.S. banking system is sound despite concerns stemming from Silicon Valley Bank's [collapse, as well as that of Signature Bank, and the issues experienced by First Republic Bank and Credit Suisse](#).

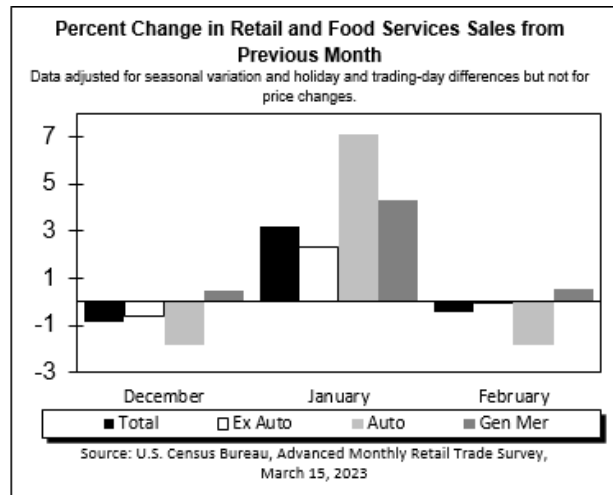
An explanation of Silicon Valley Bank's collapse and what it does and does not mean for the banking system at large can be found [here](#).

Federal Government Indicators and Reports:

Census Bureau

Wednesday, [Retail Sales](#): "Advance estimates of U.S. retail and food services sales for February 2023 . . . were \$697.9 billion, down 0.4 percent from the previous month, but up 5.4 percent above February 2022."

ADVANCE MONTHLY SALES		
February 2023	\$697.9 billion	-0.4%*
January 2023 (revised)	\$700.7 billion	3.2%
Next release: April 14, 2023		
* The 90 percent confidence interval includes zero. There is insufficient statistical evidence to conclude that the actual change is different from zero. Data adjusted for seasonal variation and holiday and trading-day differences but not for price changes. Source: U.S. Census Bureau, Advanced Monthly Retail Trade Survey, March 15, 2023		



Wednesday, [Business Inventories](#): "Manufacturers' and trade inventories for January . . . were estimated at an end-of-month level of \$2,479.6 billion, down 0.1 percent from December 2022, but were up 11.1 percent from January 2022."

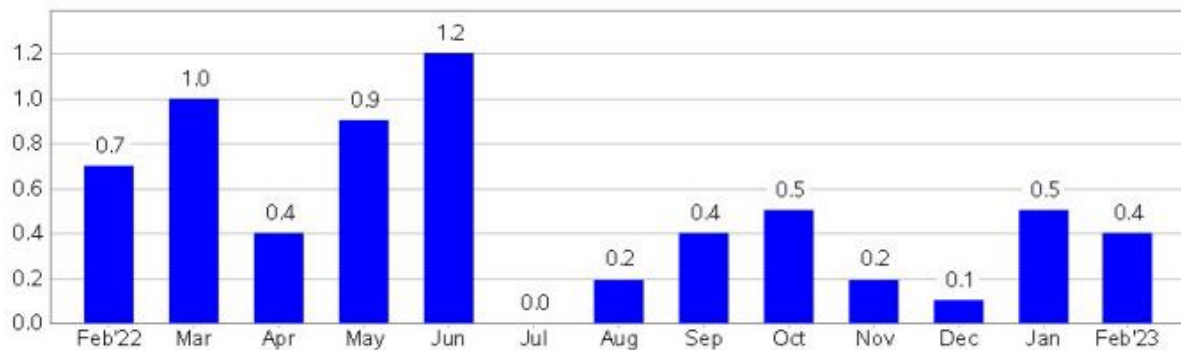
Bureau of Labor Statistics

Monday, [State Employment and Unemployment](#): "Unemployment rates were lower in January in 5 states, higher in 2 states and the District of Columbia, and stable in 43 states. . . . Fifteen states and

the District had jobless rate decreases from a year earlier, 11 states had increases, and 24 states had little change. The national unemployment rate, 3.4 percent, was little changed over the month, but was 0.6 percentage point lower than in January 2022.” Tennessee’s nonfarm payroll employment increased by 0.7 percent.

Tuesday, [Consumer Price Index \(CPI\)](#): “The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.4 percent in February on a seasonally adjusted basis, after increasing 0.5 percent in January. . . . Over the last 12 months, the all items index increased 6.0 percent before seasonal adjustment. . . . The index for shelter was the largest contributor to the monthly all items increase, accounting for over 70 percent of the increase, with the indexes for food, recreation, and household furnishings and operations also contributing.”

Chart 1. One-month percent change in CPI for All Urban Consumers (CPI-U), seasonally adjusted, Feb. 2022 - Feb. 2023
Percent change



Tuesday, [Real Earnings](#): “Real average hourly earnings for all employees decreased 0.1 percent from January to February. . . . This result stems from an increase of 0.2 percent in average hourly earnings combined with an increase of 0.4 percent in the Consumer Price Index for All Urban Consumers (CPI-U).”

Wednesday, [Producer Price Index](#): “The Producer Price Index for final demand decreased 0.1 percent in February. . . . Final demand prices advanced 0.3 percent in January and declined 0.2 percent in December 2022.”

Department of Labor

Thursday, [Weekly Initial Claims](#): “In the week ending March 11, the advance figure for seasonally adjusted initial claims was 192,000, a decrease of 20,000 from the previous week's revised level. . . . The 4-week moving average was 196,500, a decrease of 750 from the previous week's revised average.”



Economic Indicators and Confidence:

Federal Reserve Bank of New York

Monday, [Consumer Inflation Expectations](#): “Median inflation expectations dropped by 0.8 percentage point at the one-year-ahead horizon to 4.2 percent, remained unchanged at the three-year-ahead horizon at 2.7 percent, and increased by 0.1 percentage point at the five-year-ahead horizon to 2.6 percent.”

Federal Reserve

Friday, [Industrial Production](#): “Industrial production was unchanged in February, and manufacturing output edged up 0.1 percent. . . . Capacity utilization was unchanged in February at 78.0 percent, a rate that is 1.6 percentage points below its long-run (1972–2022) average.”

University of Michigan

Friday, [Consumer Sentiment \(Preliminary\)](#): The Index of Consumer Sentiment decreased to 63.4 in March, down from 67.0 in February. “Consumer sentiment fell for the first time in four months, sitting about 5 percent below February but remaining 7 percent above a year ago.”

Mortgages and Housing Markets:

Census Bureau

Thursday, [New Residential Construction](#): “Privately-owned housing units authorized by building permits in February were at a seasonally adjusted annual rate of 1,524,000. This is 13.8 percent above the revised January rate of 1,339,000, but is 17.9 percent below the February 2022 rate of 1,857,000.”

National Association of Home Builders

Wednesday, [Housing Market Index](#): The index increased to 44 in March, up from 42 in February. However, the index is down from 79 in March of 2022.

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 6.5 percent from one week earlier.” According to Joel Kan, MBA’s vice president and deputy chief economist, “Home-purchase applications increased for the second straight week but remained almost 40 percent below last year’s pace. While lower rates should buoy housing demand, the financial market volatility may cause buyers to pause their decisions.”