

April 3, 2023 – Economic Commentary

The second quarter of 2023 begins with an interesting look back at the first quarter: substantially weakened numbers for US manufacturing activity, including employment, in the second half of the first quarter and a newly revised Atlanta Fed GDPNow estimate of first quarter economic growth at 1.7%, down from estimates of more than 3%. When combined with the increasing number of layoff announcements emerging from the services sector – a main focus of Federal Reserve attention, given how “hot” service sector inflation has been running –there is good reason to believe that the US economy may be slowing sooner, and faster, than commonly believed. None of this is inconsistent with the hope for a “soft landing” economic response to Federal Reserve monetary tightening, with the caveat that regional bank problems and commercial real estate difficulties remain a wild card in the near term outlook. Despite concerns about upward pressure on oil prices as a result of OPEC+ cuts, the Fed is likely to moderate future rate increases if an emerging story of the service sector and labor market weakness continues to unfold.

Data to Watch:

1. JOLTS US job openings data for February, released Tuesday, April 4
2. S&P Global and ISM US Service Sector Purchasing Managers Indices for March, released Wednesday, April 5
3. US Nonfarm Payrolls and Unemployment Rate for March, released Friday, April 7

Suggested Reading:

[OPEC+ just made the Fed's job more complicated. Here's what it did — and what could be next](#)

[Money can break a marriage, even getting more of it](#)

[Biden's reluctant approach to free trade draws backlash](#)

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