

## US Economic Growth Beats Predictions, New Home Sales Increase, Jobless Claims Edge Higher

By Lou Hirsh

### US Economic Growth Beats Predictions

Better-than-expected growth in U.S. gross domestic product represented good news for the economy, though some analysts said the Commerce Department's report of 3.3% annual growth in the fourth quarter of 2023 could delay anticipated Federal Reserve cuts in its key lending rate.

"The economy fared noticeably better than expected in the final three months of last year, reinforcing our view that market expectations for the Federal Reserve to cut interest rates as early as March is premature," Oxford Economics Chief U.S. Economist Ryan Sweet said in a statement.

Fourth-quarter GDP growth was below the third quarter's 4.9% rate. But Oxford and other analysts said U.S. consumer purchases of products and services, the main engine of the economy, proved strong enough in the latest quarter to demonstrate overall economic resilience. Oxford previously forecasted 2.3% growth for the fourth quarter.

"Real consumer spending posted another solid gain and we expect it to hold up fairly well this year, supported by solid growth in real disposable income — the key driver for consumption," Sweet said.

The government said fourth-quarter GDP growth reflected increases in consumer spending, exports, government spending, private inventory investment and non-residential fixed investments. Consumer spending was led by categories including food services, lodging accommodations and healthcare.

The latest impact of GDP growth on interest rates could be revealed when the Fed holds its next rate-setting meeting Jan. 30-31.

### New Home Sales Increase

New home sales ended an otherwise sluggish 2023 with single-family unit transactions totaling 664,000 in December based on seasonally adjusted annual rates, according to the Commerce Department and Department of Housing and Urban Development.

That marked an 8% increase from November and a 4.4% rise from a year earlier, as some analysts said sales were aided by moderating mortgage interest rates. The median sales price for new houses was \$413,200 in December, down 13.8% from a year earlier, though prices have generally risen during the past year.

"Sales in 2023 were supported by home builder incentives and a lack of supply in the existing home market," Oxford Economics Lead U.S. Economist Nancy Vanden Houten said in a state

ment Thursday. "We expect these factors will support sales in 2024, although builders may scale back incentives as mortgage rates fall further."

The latest lender survey data from government-backed lending agency Freddie Mac showed 30-year, fixed-rate mortgages averaging 6.69% for the week ended Jan. 25, up from 6.6% a week earlier and 6.13% for the comparable week of 2023. Thirty-year rates are down considerably from highs that neared 8% last fall.

"Given this stabilization in rates, potential homebuyers with affordability concerns have jumped off the fence back into the market," Freddie Mac Chief Economist Sam Khater said in a statement Thursday. "Despite persistent inventory challenges, we anticipate a busier spring homebuying season than 2023, with home prices continuing to increase at a steady pace."

### **Jobless Claims Edge Higher**

Initial claims for unemployment insurance totaled 214,000 for the week ended Jan. 20, up 25,000 from the prior week's revised level, the Labor Department reported Thursday.

The four-week moving average for initial claims was 202,250, down 1,500 from the previous week's revised average. Continued claims in all programs, tracked on a more delayed basis, totaled about 2.1 million for the week ended Jan. 6, rising 17,359 from the prior week and also above the 1.9 million continued claims for the comparable week of 2023.

Analysts have noted that initial jobless claims remain low by historical standards and have not yet absorbed a string of recent layoff announcements, many of them in the technology and retail industries. Continued claims reflect a slowing pace of new hiring in some industries.

Also this week, the Labor Department said December's unemployment rates rose from the prior month in 15 states, dropped in one state and remained essentially unchanged in 34 states and the District of Columbia. Jobless rates ranged from 1.9% in Maryland and North Dakota, to 5.4% in Nevada, with the national rate at 3.7%.