

Economic Update, January 19, 2024

Submitted by Bob Moreo

Summary: Retailers posted better-than-expected sales figures in December, “buoyed by a pickup in clothing and accessory stores as well as online nonstore businesses,” [CNBC reported](#). Retail sales outpaced inflation on a year-over-year basis. [According to Reuters](#), the news caused traders to become “a shade less confident” about the likelihood that the Federal Reserve will begin cutting interest rates in March. Over the past two months, consumer sentiment “showed its largest increase since 1991,” with [CNBC reporting](#) that the University of Michigan’s Consumer Survey of Consumers “showed a reading of 78.8 for January, its highest level since July 2021 and up 21.4 percent from a year ago.” Homebuilders too are showing renewed optimism. “U.S. homebuilder sentiment climbed [in] January by the most in nearly a year as lower mortgage rates boosted customer traffic, sales and the demand outlook,” [according to Yahoo Finance](#), adding that “the January figure exceeded all estimates in a Bloomberg survey of economists.” [Yahoo also reported](#) on data from the National Association of Realtors, which said that existing home sales fell to their “lowest level in 30 years” in 2023. “Existing home sales fell 1 percent last month from November to a seasonally adjusted annual rate of 3.7 million, . . . the lowest sales activity since August 2010.”

Federal Government Indicators and Reports:

Bureau of Labor Statistics

Wednesday, [U.S. Import and Export Price Indexes](#): “U.S. import prices were unchanged in December, after declining 0.5 percent in November. . . . Import fuel prices decreased 0.3 percent in December and nonfuel prices were unchanged. . . . The price index for nonfuel imports declined 0.8 percent for the year ended in December. . . . Prices for U.S. exports fell 0.9 percent in December following a 0.9-percent decline the previous month. . . . Prices for agricultural exports decreased 8.9 percent for the year ended in December. . . . The price index for nonagricultural exports fell 2.4 percent.”

Thursday, [State Job Openings and Labor Turnover](#): “In November, job openings rates decreased in 4 states, increased in 2 states, and were little changed in 44 states and the District of Columbia. . . . The number of job openings decreased in 5 states, increased in 4 states, and was little changed in 41 states and the District of Columbia.” Tennessee was among the four states with decreases in both the rate and number of job openings in November. The job openings rate decreased by 0.6 percentage points and the number of job openings decreased by 22,000.

Thursday, [Usual Weekly Earnings of Wage and Salary Workers](#): “Median weekly earnings of the nation’s 120.8 million full-time wage and salary workers were \$1,145 in the fourth quarter of 2023. . . . This was 5.5 percent higher than a year earlier, compared with a gain of 3.2 percent in the Consumer Price Index for All Urban Consumers (CPI-U) over the same period.”

Census Bureau

Wednesday, [Advance Monthly Sales for Retail and Food Services](#): “Advance estimates of U.S. retail and food services sales for December 2023, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$709.9 billion, up 0.6 percent from the previous month, and up 5.6 percent above December 2022. Total sales for the 12 months of 2023 were up 3.2 percent from 2022.”

Wednesday, [Manufacturing and Trade Inventories and Sales](#): “The combined value of distributive trade sales and manufacturers’ shipments for November, adjusted for seasonal and trading day differences but not for price changes, was estimated at \$1,858.8 billion, up 0.2 percent from October 2023 and was up 1.0 percent from November 2022. . . . [Inventories] were estimated at an end-of-month level of \$2,548.9 billion, down 0.1 percent from October 2023, but were up 0.4 percent from November 2022.”

Thursday, [New Residential Construction](#): “Privately-owned housing units authorized by building permits in December were at a seasonally adjusted annual rate of 1,495,000. This is 1.9 percent above the revised November rate of 1,467,000 and is 6.1 percent above the December 2022 rate of 1,409,000. . . . Privately-owned housing starts in December were at a seasonally adjusted annual rate of 1,460,000. This is 4.3 percent below the revised November estimate of 1,525,000, but is 7.6 percent above the December 2022 rate of 1,357,000. . . . Privately-owned housing completions in December were at a seasonally adjusted annual rate of 1,574,000. This is 8.7 percent above the revised November estimate of 1,448,000 and is 13.2 percent above the December 2022 rate of 1,390,000.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending January 13, the advance figure for seasonally adjusted initial claims was 187,000, a decrease of 16,000 from the previous week's revised level. This is the lowest level for initial claims since September 24, 2022 when it was 182,000. . . . The 4-week moving average was 203,250, a decrease of 4,750 from the previous week's revised average.”

Federal Reserve Board

Wednesday, [The Beige Book](#): “A majority of the twelve Federal Reserve Districts reported little or no change in economic activity since the prior Beige Book period. Of the four Districts that differed, three reported modest growth and one reported a moderate decline. . . . Overall, most Districts indicated that expectations of their firms for future growth were positive, had improved, or both.”

In the Sixth District, which includes Middle and East Tennessee, the Federal Reserve Bank of Atlanta reported that the economy “grew slowly from mid-November through December.” In the Eighth District, which includes West Tennessee, the Federal Reserve Bank of St. Louis said, “economic activity has remained unchanged since our previous report.”

Wednesday, [Industrial Production and Capacity Utilization](#): “Industrial production moved up 0.1 percent in December and declined 3.1 percent at an annual rate in the fourth quarter. Manufacturing output edged up 0.1 percent in December after increasing 0.2 percent in November. . . . At 102.5 percent of its 2017 average, total industrial production in December was 1 percent above its year-earlier level. Capacity utilization was unchanged in December at 78.6 percent, a rate that is 1.1 percentage points below its long-run (1972–2022) average.”

Consumer Confidence, Mortgages, and Housing Markets:

University of Michigan

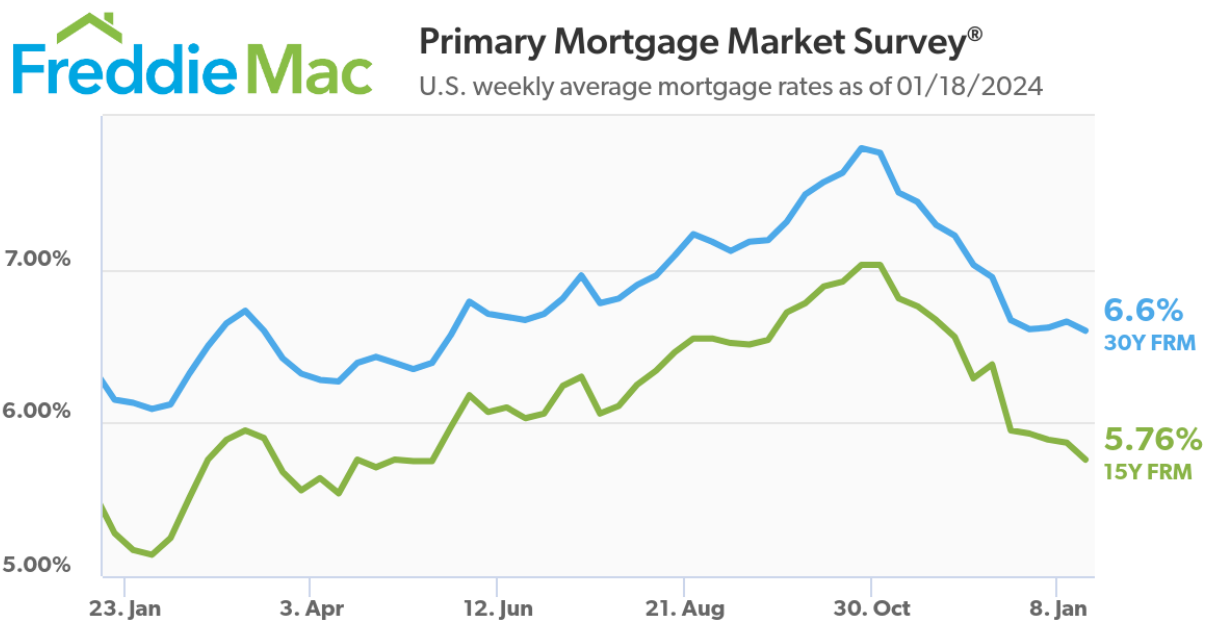
Friday, [Index of Consumer Sentiment](#): “Consumer sentiment soared 13 percent in January to reach its highest level since July 2021, showing that the sharp increase in December was no fluke. Consumer views were supported by confidence that inflation has turned a corner and strengthening income expectations. Over the last two months, sentiment has climbed a cumulative 29 percent, the largest two-month increase since 1991 as a recession ended.”

Fannie Mae

Thursday, [Monthly Economic and Housing Outlook](#): Fannie Mae’s Economic and Strategic Research (ESR) Group expects the housing market “to begin a gradual return to a more normal balance in 2024, following years of significant oscillations in mortgage rates and divergences of key housing market measures from their historical, pre-pandemic relationships. . . . The ESR Group expects mortgage rates to decline in 2024, ending the year below 6 percent. The lower rate environment is expected to boost refinance volumes, which are already on the upswing. . . . [The group] expects the annualized pace of existing home sales to move up to 4.5 million units by the fourth quarter of 2024, compared to 3.8 million in Q4 2023. However, a full recovery to the pre-pandemic sales rate is expected to take years, as housing affordability remains stretched extremely thin by historical standards relative to household incomes.”

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): According to Sam Khater, Freddie Mac’s chief economist “Mortgage rates decreased this week, reaching their lowest level since May of 2023.” Specifically, “the 30-year FRM [fixed rate mortgage] averaged 6.60 percent as of January 18, 2024, down from last week when it averaged 6.66 percent. A year ago at this time, the 30-year FRM averaged 6.15 percent.”



Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications increased 10.4 percent from one week earlier, according to data from the Mortgage Bankers Association’s Weekly Mortgage Applications Survey for the week ending January 12, 2024. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$726,200 or less) decreased to 6.75 percent from 6.81 percent.”

National Association of Home Builders

Wednesday, [Housing Market Index](#): “Mortgage rates well under 7 percent over the past month have led to a sharp increase in builder confidence to begin the new year. . . . Builder confidence in the

market for newly built single-family homes climbed seven points to 44 in January.” According to NAHB chairman Alicia Huey, “Single-family starts are expected to grow in 2024, adding much needed inventory to the market. However, builders will face growing challenges with building material cost and availability, as well as lot supply.”

National Association of Realtors

Friday, [Existing Home Sales](#): “On an annual basis, existing-home sales (4.09 million) dropped to the lowest level since 1995, while the median price reached a record high of \$389,800 in 2023. . . . Total existing-home sales—completed transactions that include single-family homes, townhomes, condominiums and co-ops—decreased 1.0 percent from November to a seasonally adjusted annual rate of 3.78 million in December. Year-over-year, sales declined 6.2 percent (down from 4.03 million in December 2022).”