

Economic Update, January 12, 2024  
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Summary: Inflation news this week was mixed, as “consumer prices increased more than expected in December,” according to [Yahoo Finance](#). Prices for shelter, “which rose 6.2 percent on an annual basis,” and food—up 2.7 percent from a year ago—have offset declines in other areas. Producer prices, on the other hand, “unexpectedly declined in December,” [CNBC reported](#), “providing a positive signal for inflation” going forward. [CNN reported](#) that “U.S. consumers did not rein in their spending this past holiday season, and now have near-record-breaking debt balances to show for it.” According to the latest data from the Federal Reserve, “borrowing spiked by \$23.75 billion in November, more than doubling economists’ expectations for a \$9 billion increase and sending outstanding credit balances north of the \$5 trillion mark for the first time on record.”

### **Federal Government Indicators and Report**

#### Bureau of Economic Analysis

Tuesday, [U.S. International Trade](#): “. . . the goods and services deficit was \$63.2 billion in November, down \$1.3 billion from \$64.5 billion in October, revised. . . . Year-to-date, the goods and services deficit decreased \$161.8 billion, or 18.4 percent, from the same period in 2022.”

#### Bureau of Labor Statistics

Thursday, [Real Earnings](#): “Real average hourly earnings for all employees increased 0.2 percent from November to December, seasonally adjusted.”

Thursday, [Consumer Price Index](#): “The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in December on a seasonally adjusted basis, after rising 0.1 percent in November. . . . The index for shelter continued to rise in December, contributing over half of the monthly all items increase.”

Friday, [Producer Price Indexes](#): “The Producer Price Index for final demand fell 0.1 percent in December, seasonally adjusted. . . . On an unadjusted basis, the index for final demand rose 1.0 percent in 2023 after increasing 6.4 percent in 2022.”

#### Census Bureau

Wednesday, [Monthly Wholesale Trade](#): “November 2023 sales of merchant wholesalers [seasonally adjusted] . . . were \$666.6 billion, virtually unchanged from the

revised October level, but were up 0.5 percent from the revised November 2022 level. . . . [Inventories] were \$896.2 billion at the end of November, down 0.2 percent from the revised October level. Total inventories were down 3.0 percent from the revised November 2022 level.”

Thursday, [Business Formation Statistics](#): “Business Applications for December 2023, adjusted for seasonal variation, were 457,316, a decrease of 1.3 percent compared to November 2023. . . . Projected Business Formations (within 4 quarters) for December 2023, adjusted for seasonal variation, were 30,449, an increase of 2.6 percent compared to November 2023.”

Department of Labor

Thursday, [Initial Claims](#): “In the week ending January 6, the advance figure for seasonally adjusted initial claims was 202,000, a decrease of 1,000 from the previous week’s revised level.” In Tennessee, there were 3,244 initial claims filed during the week ending January 6, an increase of 502 from the previous week.

Federal Reserve

Monday, [Consumer Credit](#): “In November, consumer credit increased at a seasonally adjusted annual rate of 5.7 percent. Revolving credit increased at an annual rate of 17.7 percent, while nonrevolving credit increased at an annual rate of 1.5 percent.”

### **Economic Indicators and Confidence**

Federal Reserve Bank of New York

Monday, [Inflation Expectations](#): Data from the December 2023 *Survey of Consumer Expectations* shows that “inflation expectations declined at the short-, medium- and longer-term horizons. Notably, inflation expectations at the short-term horizon reached the lowest level recorded since January 2021. Earnings growth and spending growth expectations also decreased slightly to their lowest recorded levels since 2021, while expectations about credit access and households’ financial situation turned less pessimistic.”

National Federation of Independent Business

Tuesday, [Small Business Optimism Index](#): “The [NFIB Small Business] Optimism Index increased 1.3 points in December to 91.9. . . . [marking] the 24<sup>th</sup> consecutive month below the 50-year average of 98. . . . Twenty-three percent of [small business] owners

reported that inflation was their single most important problem in operating their business, up 1 point from last month and surpassing labor quality as the top concern.”

RealClearMarkets

Tuesday, [Economic Optimism Index](#): “The RealClearMarkets/TechnoMetrica Institute of Policy and Politics (TIPP) Economic Optimism Index, a leading gauge of consumer sentiment, gained 11.8 percent in January to 44.7. Despite the rise, the index remains in negative territory—for 29 consecutive months now.”

### **Mortgage and Housing Market**

Fannie Mae

Monday, [Home Purchase Sentiment](#): “The Fannie Mae Home Purchase Sentiment Index (HPSI) increased 2.9 points in December to 67.2, due primarily to a significant jump in the share of consumers expecting mortgage rates to go down over the next 12 months.”

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “Mortgage rates have not moved materially over the last three weeks and remain in the mid-six percent range, which has marginally increased homebuyer demand,” said Sam Khater, Freddie Mac’s chief economist. . . . “The 30-year fixed rate mortgage averaged 6.66 percent as of January 11, 2024, up from last week when it averaged 6.62 percent. A year ago at this time, the 30-year fixed rate mortgage averaged 6.33 percent.”

Mortgage Bankers Association

Tuesday, [Mortgage Credit Availability](#): “Mortgage credit availability decreased in December according to the Mortgage Credit Availability Index (MCAI). . . . The MCAI fell by 4.6 percent to 92.1 in December. A decline in the MCAI indicates that lending standards are tightening while increases in the index are indicative of loosening credit.”

Wednesday, [Mortgage Applications](#): “The Market Composite Index, a measure of mortgage loan application volume, increased 9.9 percent on a seasonally adjusted basis from one week earlier.”