

Economic Update, December 15, 2023

Submitted by Bob Moreo

Summary: The Federal Reserve left interest rates unchanged at its final meeting of the year this week and “[indicated that three rate cuts could be implemented next year.](#)” Markets responded to this news with the Dow Jones Industrial Average closing [above 37,000](#), while “[Treasury yields fell to their lowest levels in months.](#)” The rally was tempered somewhat on Friday when the president of the Federal Reserve Bank of New York said the Fed “[isn’t currently discussing rate cuts.](#)” In housing news, mortgage rates experienced “one of the biggest two-day drops in rates in decades,” according to [Mortgage News Daily](#), capping the largest drop in rates over a 45-day window since their records began in 2007. Farmers and food companies faced with falling prices for U.S. agricultural exports saw some relief in November, as prices increased 0.2 percent following a 4.1 percent decline over the past three months. “In spite of the advance,” [the U.S. Bureau of Labor Statistics reported](#) prices for agricultural exports were down 10.5 percent for the year, “the largest 12-month drop” since March 2015 to March 2016. A [Minnesota Public Radio report from September](#), when food exports had been down almost 20 percent from the year prior, said dry weather was affecting American crop yields, and “China is buying larger amounts of corn and soybeans from Brazil,” where production has increased.

Our colleagues at the Middle Tennessee State University Business and Economic Research Center updated their *Tracking Tennessee’s Economy* dashboard with data from October 2023. In October, Dr. Arik says, “Tennessee’s economic indicators showed mixed trends.” The state saw increases in average hourly earnings and the number of single-family housing permits, but unemployment increased as well, and state sales tax collections and weekly hours worked declined. For more, please visit our website at <https://mtsu.edu/tacir/>.

Federal Government Indicators and Reports:

Bureau of Labor Statistics

Tuesday, [Consumer Price Index](#): “The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.1 percent in November on a seasonally adjusted basis, after being unchanged in October. . . . Over the last 12 months, the all items index increased 3.1 percent before seasonal adjustment.”

Tuesday, [Real Earnings](#): “Real average hourly earnings for all employees increased 0.2 percent from October to November, seasonally adjusted, [which] stems from an increase of 0.4 percent in average hourly earnings combined with an increase of 0.1 percent in the Consumer Price Index for All Urban Consumers. . . . Real average hourly earnings increased 0.8 percent, seasonally adjusted, from November 2022 to November 2023.”

Wednesday, [Producer Price Index](#): “The Producer Price Index for final demand was unchanged in November, seasonally adjusted. . . . In November, the indexes for both final demand goods and for final demand services were unchanged. . . . Within intermediate demand in November, the index for processed goods was unchanged, prices for unprocessed goods fell 1.4 percent, and the index for services rose 0.2 percent.”

Thursday, [U.S. Import and Export Price Indexes](#): “Prices for U.S. imports decreased 0.4 percent in November following a 0.6-percent decline the previous month. . . . Lower fuel prices in November more than offset an increase in nonfuel prices. U.S. export prices fell 0.9 percent for the second consecutive month in November. . . . The price index for export agricultural goods advanced 0.2 percent in November following a 4.1 percent decline over the past three months.”

Friday, [State Job Openings and Labor Turnover](#): “Job openings rates decreased in six states on the last business day of October. . . . Hires rates decreased in three states and increased in one state. Total separations rates increased in three states and decreased in two states. Nationally, the job openings rate decreased in October, while the hires and total separations rates showed little or no change. . . . The number of job openings decreased in 13 states and was little changed in 37 states and the District of Columbia in October. The largest decrease in the job openings level occurred in Tennessee (-84,000).”

Bureau of Economic Analysis

Thursday, [Real Personal Consumption Expenditures by State and Real Personal Income by State and Metropolitan Area, 2022](#): “Real personal consumption expenditures (PCE) by state increased in 42 states and the District of Columbia in 2022. . . . Real personal income declined in 45 states and the District of Columbia in 2022.” PCE in Tennessee increased by 1.6 percent in 2022, compared to a 2.5 percent increase for the nation as a whole. Real personal income in Tennessee decreased 4.1 percent, near the 4.2 percent decrease for the nation as a whole. The decrease in real personal income on a per capita basis varied among Tennessee’s metropolitan areas, ranging from a 2.8 percent decrease in the Nashville-Davidson—Murfreesboro—Franklin MSA to a 9.3 percent decrease in the Morristown MSA. See table below.

Percent Change in Real Per Capita Personal Income in Tennessee by Metropolitan Statistical Area

Metropolitan Statistical Area	2021-2022 Percent Change
Chattanooga, TN-GA	-6.9
Clarksville, TN-KY	-8.1
Cleveland, TN	-6.2
Jackson, TN	-8.0
Johnson City, TN	-5.6
Kingsport-Bristol, TN-VA	-5.7
Knoxville, TN	-5.5
Memphis, TN-MS-AR	-7.9
Morristown, TN	-9.3
Nashville-Davidson--Murfreesboro--Franklin, TN	-2.8

Source: TACIR staff calculation based on real per capita personal income data available from [BEA](#).

Census Bureau

Thursday, [Advance Monthly Sales for Retail and Food Services](#): “Advance estimates of U.S. retail and food services sales for November 2023 . . . were \$705.7 billion, up 0.3 percent from the previous month, and up 4.1 percent above November 2022. Total sales for the September 2023 through November 2023 period were up 3.4 percent from the same period a year ago.”

Thursday, [Manufacturing and Trade Inventories and Sales](#): “The combined value of distributive trade sales and manufacturers’ shipments for October . . . was estimated at \$1,856.2 billion, down 1.0 percent from September 2023 and down 0.2 percent from October 2022.” Inventories “were estimated

at an end-of-month level of \$2,550.0 billion, down 0.1 percent from September 2023 but were up 0.6 percent from October 2022.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending December 9, the advance figure for seasonally adjusted initial claims was 202,000, a decrease of 19,000 from the previous week’s revised level. . . . The 4-week moving average was 213,250, a decrease of 7,750 from the previous week’s revised average.” In Tennessee, there were 3,199 initial claims, a decrease of 1,011.

Federal Reserve Board

Wednesday, [Federal Open Market Committee Statement](#): At its December 12-13 meeting, the Committee decided to maintain the target range for the federal funds rate at 5-1/4 to 5-1/2 percent. “Recent indicators suggest that growth of economic activity has slowed from its strong pace in the third quarter. Job gains have moderated since earlier in the year but remain strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated.”

Wednesday, [Summary of Economic Projections](#): The median projection among Federal Open Market Committee participants for real GDP growth in 2023 was 2.6 percent, up from 2.1 percent at the committee’s September meeting. The median projection for GDP growth in 2024 was 1.4 percent, down from 1.5 percent in September. Unemployment projections for 2023 and 2024 remained unchanged from September, at 3.8 percent and 4.1 percent, respectively. The median inflation projection for 2023 was 2.8 percent, down from 3.3 percent in September. The median projection for inflation in 2024 also decreased, to 2.4 percent from 2.5 percent. The median projection for the federal funds rate in 2024 decreased to 4.6 percent from 5.1 percent in September. There were no participants projecting further rate increases in 2024.

Friday, [Industrial Production and Capacity Utilization](#): “In November, industrial production increased 0.2 percent, and manufacturing output rose 0.3 percent. The increase in manufacturing output was more than accounted for by a 7.1 percent bounceback in motor vehicles and parts production following the resolution of strikes at several major automakers. The index for manufacturing excluding motor vehicles and parts decreased 0.2 percent.”

Consumer and Business Sentiment:

Federal Reserve Bank of New York

Monday, [Survey of Consumer Expectations](#): “Median one-year ahead inflation expectations declined by 0.2 percentage point in November to 3.4 percent. This is the lowest reading since April 2021. . . . Median home price growth expectations were unchanged for the second consecutive month at 3.0 percent. . . . Median household spending growth expectations declined by 0.1 percentage point to 5.2 percent in November. . . . Perceptions about households’ current financial situation were mostly unchanged compared to last month. In contrast, consumers were more optimistic about their year-ahead financial situation with a smaller share expecting to be worse off.”

National Federation of Independent Business

Tuesday, [Small Business Optimism Index](#): “NFIB’s Small Business Optimism Index decreased 0.1 point in November to 90.6, which marks the 23rd consecutive month below the 50-year average of 98. Twenty-two percent of owners reported that inflation was their single most important problem in operating their business, unchanged from October but 10 points lower than this time last year.”

Employment and Business Activity:

Challenger, Gray, & Christmas

Monday, [Seasonal Retail Hiring Update](#): “Retailers added virtually the same number of seasonal positions in November as they did in the same month last year, while Transportation and Warehousing companies have added the fewest seasonal positions in October and November since 2019. . . . So far this season, retailers have added 413,100, a 1.5 percent increase from the 406,900 positions added in the first two months of the fourth quarter in 2022.”

S&P Global

Friday, [Flash U.S. Composite PMI](#): “U.S. businesses signaled a slightly stronger close to 2023 as activity rose at the fastest pace for five months in December. The quicker upturn in output was supported by the sharpest increase in new orders since July. . . . Growth was driven by the service sector, as manufacturers registered a further downturn in new orders and a renewed drop in production. . . . At 51.0, the headline S&P Global Flash U.S. PMI Composite Output Index was up slightly from 50.7 in November and posted above the 50.0 neutral mark for the eleventh successive month to signal a modest expansion in business activity.”

Mortgages and Housing Markets:

Fannie Mae

Monday, [Home Price Expectations Survey](#): “On average, the panel anticipates home price growth to clock in at 5.9 percent in 2023, to be followed by slower growth in 2024 and 2025 of 2.4 percent and 2.7 percent, respectively. . . . The average respondent expects the 30-year fixed rate mortgage rate to eventually settle to an average of approximately 5.7 percent.”

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “The 30-year FRM averaged 6.95 percent as of December 14, 2023, down from last week when it averaged 7.03 percent. A year ago at this time, the 30-year FRM averaged 6.31 percent.” Sam Khater, Freddie Mac’s Chief Economist, said, “Potential homebuyers received welcome news this week as mortgage rates dropped below seven percent for the first time since August.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications increased 7.4 percent from one week earlier, according to data from the Mortgage Bankers Association’s (MBA) Weekly Mortgage Applications Survey for the week ending December 8, 2023.”