

Economic Update, January 5, 2024
Submitted by Bob Moreo

Summary: The private sector added 164,000 jobs in December, [ADP reported](#) this week. It was “a substantial rise” in hiring from November, [said CNBC’s Jeff Cox](#), “and better than the 130,000 estimate from the Dow Jones consensus.” The federal government’s job report beat expectations as well, finding that 216,000 jobs were added in December. According to [Yahoo! Finance](#), “economists surveyed by Bloomberg had expected 175,000.” Minutes released this week from December’s Federal Open Market Committee meeting “[reflected a growing sense that inflation is under control and growing concern about the risks that ‘overly restrictive’ monetary policy may pose to the economy.](#)” Manufacturing output in December “dropped at a modest pace that was the fastest in six months,” according to [S&P Global](#). S&P’s chief business economist Chris Williamson said, “The overall picture from the survey is one of supply exceeding demand for many goods, which points to downside risks to production, employment and prices as we head into 2024.” The service sector, on the other hand, “reported its largest rise in output for five months in December,” [Williamson said](#). At the global level, “economic activity strengthened slightly at the end of 2023.” Maia Crook, global economist at J.P.Morgan, [said](#), “Gauges for new orders, employment, and future activity each made positive steps at year-end.”

Federal Government Indicators and Reports:

Bureau of Labor Statistics

Wednesday, [Job Openings and Labor Turnover Survey](#): “The number of job openings changed little at 8.8 million on the last business day of November . . . down from a series high of 12.0 million in March 2022. . . . In November, the number of hires decreased to 5.5 million (-363,000). . . . The number of layoffs and discharges changed little at 1.5 million.”

Thursday, [Metropolitan Area Employment and Unemployment](#): “Unemployment rates were higher in November than a year earlier in 214 of the 389 metropolitan areas, lower in 158 areas, and unchanged in 17 areas. . . . Nonfarm payroll employment increased over the year in 58 metropolitan areas and was essentially unchanged in 331 areas. The national unemployment rate in November was 3.5 percent, not seasonally adjusted, little changed from a year earlier.” Tennessee’s unemployment rate was 3.4 percent in November 2023, down from 3.6 percent in October but up from 3.2 percent a year ago. The unemployment rate in November was slightly higher than the year prior in 10 of the state’s 11 metropolitan areas and unchanged in the 11th. See table below.

**LABOR FORCE DATA
NOT SEASONALLY ADJUSTED**

Table 1. Civilian labor force and unemployment by state and metropolitan area — Continued

State and area	Civilian labor force				Unemployed							
	October		November		Number				Percent of labor force			
	2022	2023	2022	2023 ^P	October		November		October		November	
					2022	2023	2022	2023 ^P	2022	2023	2022	2023 ^P
Tennessee.....	3,332,954	3,408,843	3,308,733	3,395,018	113,030	122,210	104,278	114,241	3.4	3.6	3.2	3.4
Chattanooga.....	274,653	279,258	271,402	278,358	9,125	9,724	8,146	8,834	3.3	3.5	3.0	3.2
Clarksville.....	118,827	118,983	117,645	118,971	4,694	5,314	4,341	4,916	4.0	4.5	3.7	4.1
Cleveland.....	56,599	58,031	56,453	57,715	2,022	2,210	1,969	2,035	3.6	3.8	3.5	3.5
Jackson.....	63,941	63,952	63,327	63,760	2,202	2,307	2,038	2,169	3.4	3.6	3.2	3.4
Johnson City.....	92,195	94,043	91,558	93,622	3,229	3,428	3,059	3,322	3.5	3.6	3.3	3.5
Kingsport-Bristol-Bristol.....	135,406	138,614	134,621	137,046	4,724	5,034	4,522	4,790	3.5	3.6	3.4	3.5
Knoxville.....	436,363	452,832	434,958	450,267	13,799	14,755	12,864	13,909	3.2	3.3	3.0	3.1
Memphis.....	623,711	625,071	621,358	622,571	25,976	26,266	23,377	24,562	4.2	4.2	3.8	3.9
Morristown.....	52,840	53,619	52,402	53,452	1,911	1,966	1,732	1,849	3.6	3.7	3.3	3.5
Nashville-Davidson-Murfreesboro-Franklin.....	1,124,706	1,155,739	1,117,008	1,151,020	30,730	33,227	28,730	31,572	2.7	2.9	2.6	2.7

Friday, [Employment Situation](#): “Total nonfarm payroll employment increased by 216,000 in December, and the unemployment rate was unchanged at 3.7 percent. . . . In December, average hourly

earnings for all employees on private nonfarm payrolls rose by 15 cents, or 0.4 percent, to \$34.27. Over the past 12 months, average hourly earnings have increased by 4.1 percent.”

Bureau of Transportation Statistics

Thursday, [North American Transborder Freight](#): In October 2023, “\$138.5 billion of transborder freight moved by all modes of transportation, up 3.5 percent compared to October 2022. Freight between the U.S. and Canada totaled \$65.7 billion, up 0.5 percent from October 2022. Freight between the U.S. and Mexico totaled \$ 72.8 billion, up 6.4 percent from October 2022.”

Census Bureau

Tuesday, [Construction Spending](#): “Construction spending during November 2023 was estimated at a seasonally adjusted annual rate of \$2,050.1 billion, 0.4 percent above the revised October estimate of \$2,042.5 billion. The November figure is 11.3 percent above the November 2022 estimate.”

Friday, [Manufacturers’ Shipments, Inventories, & Orders](#): “New orders for manufactured goods in November, up three of the last four months, increased \$14.9 billion or 2.6 percent to \$592.9 billion. . . . Shipments, up following two consecutive monthly decreases, increased \$2.7 billion or 0.5 percent to \$580.7 billion.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending December 30, the advance figure for seasonally adjusted initial claims was 202,000, a decrease of 18,000 from the previous week’s revised level. . . . The 4-week moving average was 207,750, a decrease of 4,750 from the previous week’s revised average.” In Tennessee, there were 2,692 initial claims (not seasonally adjusted) in the week ending December 30—902 fewer than the week prior.

Federal Reserve Board

Wednesday, [Minutes of the Federal Open Market Committee](#): At the December 12-13, 2023, meeting of the Federal Open Market Committee, “participants observed that after stronger than expected growth of real GDP in the third quarter, recent indicators suggested that growth in economic activity had slowed. . . . Participants judged that the current stance of monetary policy was restrictive and appeared to be restraining economic activity and inflation. . . . All participants judged it appropriate to maintain the target range for the federal funds rate at 5¼ to 5½ percent at this meeting. . . . Participants viewed the policy rate as likely at or near its peak for this tightening cycle, though they noted that the actual policy path will depend on how the economy evolves. . . . Almost all participants indicated . . . that a lower target range for the federal funds rate would be appropriate by the end of 2024.”

Business Economic Indicators:

S&P Global

Tuesday, [U.S. Manufacturing PMI](#): “The seasonally adjusted S&P Global U.S. Manufacturing Purchasing Managers’ Index posted 47.9 in December, down from 49.4 in November and lower than the earlier released ‘flash’ estimate of 48.2. . . . Contributing to the overall decline in operating conditions was a sharper fall in new orders during December. The decrease in sales quickened and was the fastest since August. . . . At the same time, cost burdens rose at a quicker pace. Hikes in supplier prices for metals and plastics, alongside greater transportation charges, reportedly drove the uptick in inflation.”

Thursday, [U.S. Services PMI](#): “The seasonally adjusted final S&P Global U.S. Services PMI Business Activity Index posted 51.4 in December, up from 50.8 in November and broadly in line with the earlier released ‘flash’ estimate of 51.3. The rate of growth in output accelerated for the third month running and was the sharpest since July. . . . A quicker rise in total new orders led service sector firms to step up their hiring during December, as employment rose at a steeper pace.”

Thursday, [U.S. Sector PMI](#): “Only two U.S. sectors [healthcare and financials] registered an increase in business activity in December, down from three out of seven in November. . . . Consumer Services indicated a reduction in business activity for the third month running. . . . The weakest-performing sector was Basic materials.”

Employment:

ADP

Wednesday, [National Employment Report](#): “Private sector employment increased by 164,000 jobs in December and annual pay was up 5.4 percent year-over-year. . . . Job gains rose for the fourth straight month, led by a healthy bump in leisure and hospitality hiring. Construction held strong in the face of high interest rates, but manufacturing continued to struggle, notching another month of losses.”

Challenger, Gray, & Christmas

Thursday, [Job Cuts Report](#): “U.S.-based employers announced 34,817 cuts in December, down 24 percent from the 45,510 cuts announced in November, and the second-lowest monthly total in 2023. . . . In the fourth quarter, companies announced plans to cut 117,163 jobs, down 20 percent from the 146,305 cuts announced in the third quarter of the year. It is down 24 percent from the 154,329 cuts which occurred in the final quarter of 2022.”

National Federation of Independent Business

Thursday, [Monthly Jobs Report](#): “The percent of small business owners reporting labor quality as their top small business operating problem remains elevated at 20 percent. . . . Forty percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, unchanged from November. . . . Overall, 55 percent of owners reported hiring or trying to hire in December, up one point from November.”

Paychex

Tuesday, [Small Business Employment Watch](#): “U.S. small businesses experienced job growth for all of 2023 and extended a cycle of consistent job growth for 33-straight months, according to December data from the Paychex Small Business Employment Watch. The Small Business Jobs Index closed the year at 101.21 (1.2 percent growth), while hourly earnings growth for U.S. workers in December (3.48 percent) was down from 4.93 percent in December of 2022.”

Mortgages and Housing Markets:

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “The 30-year FRM averaged 6.62 percent as of January 4, 2024, up slightly from last week when it averaged 6.61 percent. A year ago at this time, the 30-year FRM averaged 6.48 percent.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications Survey](#): “Mortgage applications decreased 9.4 percent from two weeks earlier, according to data . . . for the week ending December 29, 2023. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$726,200 or less) increased to 6.76 percent from 6.71 percent.”