

Economic Update, February 9, 2024

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Summary: Federal government indicators and reports this week show increases in unemployment for many metropolitan areas in December 2023 compared to the year prior. Although Tennessee's unemployment rate also increased slightly year over year, it decreased on a monthly basis from November 2023. Initial claims in Tennessee for the week ending February 3 also decreased from the week prior. In terms of economic confidence, the RealClear Markets Economic Optimism Index dropped 1.6 percent in February. In the housing market, ["The Fannie Mae Home Purchase Sentiment Index increased 3.5 points in January to 70.7, its highest level since March 2022, due primarily to increased consumer confidence in job security and another significant jump in the share of consumers expecting mortgage rates to decrease."](#) Mortgage applications increased, though both the average 15-year and 30-year fixed-rate mortgage rates increased slightly.

Federal Government Indicators and Report

Bureau of Labor Statistics

Tuesday, [Metropolitan Area Employment](#): "Unemployment rates were higher in December than a year earlier in 230 of the 389 metropolitan areas, lower in 128 areas, and unchanged in 31 areas. . . . The national unemployment rate in December was 3.5 percent, not seasonally adjusted, up from 3.3 percent a year earlier." In Tennessee, the unemployment rate decreased to 3.0 percent in December 2023 from 3.4 percent in November 2023. Year over year, the rate was up ever so slightly from 2.9 percent in December 2022.

U.S. Census Bureau

Wednesday, [U.S. International Trade](#): "December exports were \$258.2 billion, \$3.9 billion more than November exports. December imports were \$320.4 billion, \$4.2 billion more than November imports. The December increase in the goods and services deficit reflected an increase in the goods deficit of \$0.7 billion to \$89.1 billion and an increase in the services surplus of \$0.4 billion to \$26.9 billion."

Department of Labor

Thursday, [Initial Claims](#): "In the week ending February 3, the advance figure for seasonally adjusted initial claims was 218,000, a decrease of 9,000 from the previous week's revised level." In Tennessee, the advance figure for initial claims filed during the week ending February 3 was 2,645, a decrease of 677 from the previous week.

Economic Indicators and Confidence

S&P Global

Monday, [U.S. Services Purchasing Managers' Index](#): The index increased to 52.5 in January from 51.4 in December. "The U.S. services economy signaled a stronger start to the year as business activity expanded at the fastest pace since June 2023. . . . Contributing to the upturn was a quicker rise in new orders. . . . Subsequently, firms expressed increased optimism regarding the outlook for output over the next year and continued to expand their staffing numbers. . . . At the same time, inflationary pressures softened."

RealClear Markets

Tuesday, [Economic Optimism Index](#): “[The] Index, a leading gauge of consumer sentiment, dropped 1.6 percent in February to 44.0. The index has remained in negative territory for 30 consecutive months since September 2021.”

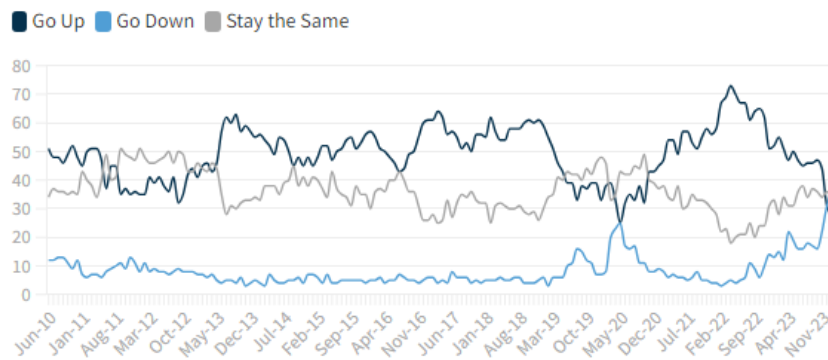
Mortgage and Housing Market

Fannie Mae

Wednesday, [Home Purchase Sentiment Index](#): The index “increased 3.5 points in January to 70.7, its highest level since March 2022, due primarily to increased consumer confidence in job security and another significant jump in the share of consumers expecting mortgage rates to decrease. In January, 82 percent of consumers indicated that they are not concerned about losing their job in the next 12 months, up from 75 percent last month. . . . However, consumer perceptions of homebuying conditions remain overwhelmingly pessimistic, with only 17 percent of consumers indicating it’s a good time to buy a home. Overall, the full index is up 9.1 points year over year.”

Consumers are more optimistic that mortgage rates will go down

Share of respondents expecting rates to go down in next 12 months hits survey high in January



Source: Home Purchase Sentiment Index* (HPSI)

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 3.7 percent from one week earlier.” According to Joel Kan, MBA’s vice president and deputy economist, “Mortgage rates have stayed close to where they started the year, despite swings in Treasury yields because of slowing inflation offset by stronger than expected readings on the job market. . . . Purchase activity has been strong to start 2024 compared to the final quarter of 2023. However, activity is still weaker than a year ago because of low housing supply”

FreddieMac

Thursday, [Mortgage Rates](#): “The 30-year [fixed-rate mortgage] averaged 6.64 percent as of February 8, 2024, up slightly from last week when it averaged 6.63 percent. A year ago at this time, the 30-year FRM averaged 6.12 percent. The 15-year FRM averaged 5.90 percent, down from last week when it averaged 5.94 percent. A year ago at this time, the 15-year FRM averaged 5.25 percent.”