

Economic Update, February 16, 2024

Submitted by Bob Moreo

Summary: “Inflation rose more than expected in January as stubbornly high shelter prices weighed on consumers,” [CNBC reported](#) on Tuesday. According to [Yahoo! Finance](#), investors believe the news means the Federal Reserve is almost certain to delay interest rate cuts when it meets in March. Wholesale costs also rose in January, “at the fastest pace in five months,” [according to MarketWatch](#). With prices rising, retail sales fell more than expected in January, [Reuters reported](#), also noting that sales figures for November and December were revised downward. [According to one economist](#), the decline in spending could mean “Fed officials may not need to worry much longer about the possibility of continued economic resilience reigniting inflation.” Atlanta Fed President Raphael Bostic, however, “[said he is ‘grateful’ the economy has maintained strong growth](#),” and expects the road to lower inflation to be “bumpy.”

Our partners at the Business and Economic Research Center at MTSU have updated their [Tracking Tennessee’s Economy dashboard](#) with data from December 2023. Dr. Murat Arik says that, in December, “Tennessee’s leading economic indicators displayed general positive trends, with notable growth in sectors such as Transportation and Utilities, Retail Trade, and Education and Health Services.” Visit the website to learn more about Tennessee’s economic and labor market trends on monthly data from state and county levels as well as the 10 different metropolitan statistical areas.

Federal Government Indicators and Reports:

Bureau of Labor Statistics

Tuesday, [Consumer Price Index](#): “The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in January on a seasonally adjusted basis, after rising 0.2 percent in December. . . . Over the last 12 months, the all items index increased 3.1 percent before seasonal adjustment. The index for shelter continued to rise in January, increasing 0.6 percent and contributing over two thirds of the monthly all items increase. The food index increased 0.4 percent.”

Tuesday, [Real Earnings](#): “Real average hourly earnings for all employees increased 0.3 percent from December to January, seasonally adjusted, . . . [the result of] an increase of 0.6 percent in average hourly earnings combined with an increase of 0.3 percent in the CPI-U. . . . Real average hourly earnings increased 1.4 percent, seasonally adjusted, from January 2023 to January 2024.”

Wednesday, [State Job Openings and Labor Turnover](#): “Job openings rates decreased in 4 states and increased in 3 states on the last business day of December. . . . Hires rates increased in 2 states and decreased in 1 state. Total separations rates decreased in 5 states and increased in 2 states. Nationally, the job openings, hires, and total separations rates showed little or no change in December.” Job openings, hires, and separations in Tennessee showed slight, but not significant, increases from November to December.

Thursday, [U.S. Import and Export Price Indexes](#): “Prices for U.S. imports advanced 0.8 percent in January following a 0.7-percent decline the previous month. . . . Higher prices for both nonfuel and fuel imports contributed to the overall increase. U.S. export prices also advanced 0.8 percent in January, after decreasing 0.7 percent in December.”

Friday, [Producer Price Index](#): “The Producer Price Index for final demand increased 0.3 percent in January, seasonally adjusted. . . . On an unadjusted basis, the index for final demand rose 0.9 percent for the 12 months ended January 2024. . . . In January, the advance in the index for final demand can be

traced to a 0.6-percent rise in prices for final demand services. In contrast, the index for final demand goods decreased 0.2 percent.

Census Bureau

Wednesday, [Business Formation Statistics](#): “Business Applications for January 2024, adjusted for seasonal variation, were 450,078, a decrease of 1.3 percent compared to December 2023. . . . Projected Business Formations (within 4 quarters) for January 2024, adjusted for seasonal variation, were 29,047, a decrease of 4.3 percent compared to December 2023.”

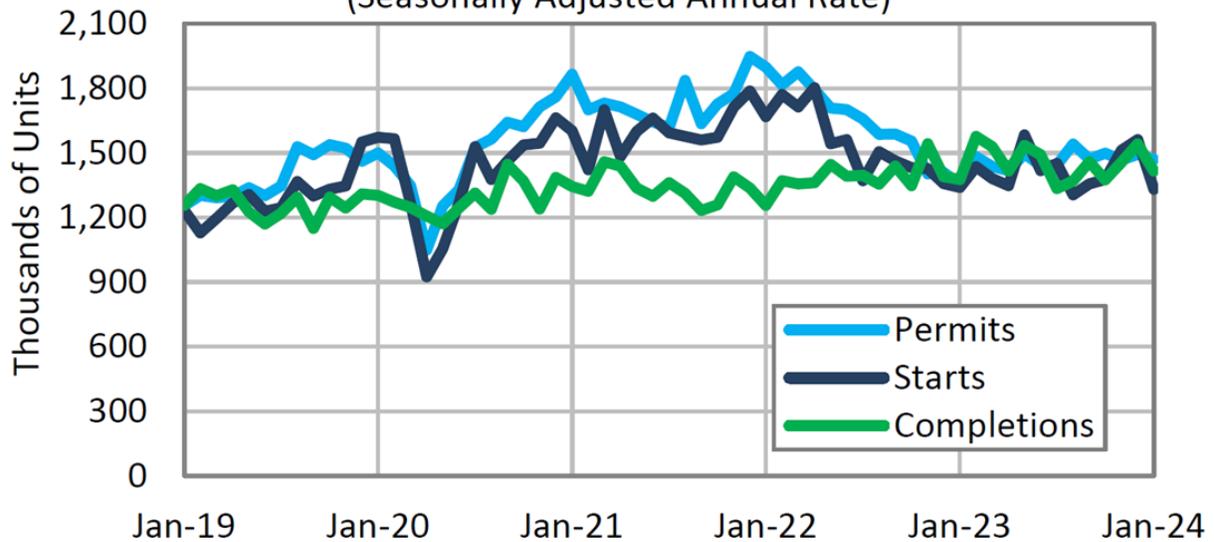
Thursday, [Advance Monthly Sales for Retail and Food Services](#): “Advance estimates of U.S. retail and food services sales for January 2024 [seasonally adjusted] . . . were \$700.3 billion, down 0.8 percent from the previous month, and up 0.6 percent above January 2023. Total sales for the November 2023 through January 2024 period were up 3.1 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 December [seasonally adjusted] . . . was estimated at \$1,863.6 billion, up 0.4 percent from November 2023 and was up 2.2 percent from December 2022. . . . Inventories for December . . . were estimated at an end-of-month level of \$2,556.0 billion, up 0.4 percent from November 2023 and were up 0.4 percent from December 2022.”

Friday, [New Residential Construction](#): “Privately-owned housing units authorized by building permits in January were at a seasonally adjusted annual rate of 1,470,000. This is 1.5 percent below the revised December rate of 1,493,000, but is 8.6 percent above the January 2023 rate of 1,354,000. . . . Housing starts in January were at a seasonally adjusted annual rate of 1,331,000. This is 14.8 percent below the revised December estimate of 1,562,000 and is 0.7 percent below the January 2023 rate. . . . Housing completions in January were at a seasonally adjusted annual rate of 1,416,000. This is 8.1 percent below the revised December estimate of 1,541,000, but is 2.8 percent above the January 2023 rate of 1,377,000.”

New Residential Construction

(Seasonally Adjusted Annual Rate)



Source: U.S. Census Bureau, HUD, February 16, 2024

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending February 10, the advance figure for seasonally adjusted initial claims was 212,000, a decrease of 8,000 from the previous week's revised level. . . . The 4-week moving average was 218,500, an increase of 5,750 from the previous week's revised average. . . . The advance seasonally adjusted insured unemployment rate was 1.3 percent for the week ending February 3, an increase of 0.1 percentage point from the previous week's unrevised rate.”

Federal Reserve Board

Thursday, [Industrial Production and Capacity Utilization](#): “Industrial production edged down 0.1 percent in January after recording no change in December. In January, manufacturing output declined 0.5 percent and mining output fell 2.3 percent; winter weather contributed to the declines in both sectors. . . . At 102.6 percent of its 2017 average, total industrial production in January was identical to its year-earlier level.”

Other Economic Indicators and Surveys:

Federal Reserve Bank of New York

Monday, [Survey of Consumer Expectations](#): The January 2024 survey “shows improvements in households’ perceptions and expectations of their financial conditions and credit availability. Inflation expectations remained unchanged at the short- and longer-term horizons and declined slightly at the medium-term horizon. Labor market expectations were mixed.”

National Federation of Independent Business

Tuesday, [Small Business Optimism Index](#): “The National Federation of Independent Business (NFIB) Small Business Optimism Index decreased two points in January to 89.9, marking the 25th consecutive month below the 50-year average of 98. The net percent of owners who expect real sales to be higher declined 12 points from December to a net negative 16 percent (seasonally adjusted), a very negative shift in expectations. . . . The frequency of reports of positive profit trends was a net negative 30percent, five points worse than in December.”

S&P Global

Tuesday, [Investment Manager Index](#): “Risk appetite has rebounded in February. . . . rising from -4 percent in January to +13 percent. The rise means a ‘risk-on’ mood has now dominated in three of the past four months, representing the best period for risk appetite seen for just over two years. . . . The survey shows earnings estimates for the coming quarter have been revised higher for the first time in over two years.

University of Michigan

Friday, [Index of Consumer Sentiment](#): “Consumer sentiment was essentially unchanged from January, rising 0.6 index points this month and solidifying the large gains from the past two months. The fact that sentiment lost no ground this month suggests that consumers continue to feel more assured about the economy, confirming the considerable improvements in December and January across various

aspects of the economy. Consumers continued to express confidence that the slowdown in inflation and strength in labor markets would continue.”

Preliminary Results for February 2024

	Feb 2024	Jan 2024	Feb 2023	M-M Change	Y-Y Change
Index of Consumer Sentiment	79.6	79.0	66.9	+0.8%	+19.0%
Current Economic Conditions	81.5	81.9	70.7	-0.5%	+15.3%
Index of Consumer Expectations	78.4	77.1	64.5	+1.7%	+21.6%

Mortgages and Housing Markets:

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “The 30-year fixed-rate mortgage (FRM) averaged 6.77 percent as of February 15, 2024, up from last week when it averaged 6.64 percent. A year ago at this time, the 30-year FRM averaged 6.32 percent.

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications decreased 2.3 percent from one week earlier, according to data. . . . for the week ending February 9, 2024. . . . ‘Application activity was weaker last week, as mortgage rates moved higher across the board. The 30-year fixed mortgage rate was up to 6.87 percent—the highest rate since early December 2023,’ said Joel Kan, MBA’s vice president and deputy chief economist.”

National Association of Home Builders

Thursday, [Housing Market Index](#): “Builder confidence in the market for newly built single-family homes climbed four points to 48 in February. . . . This is the highest level since August 2023.” Sentiment has improved in three straight months.