

Economic Update, March 1, 2024

Submitted by Bob Moreo

Summary: This week's economic news was somewhat mixed, with little movement positive or negative. "Inflation rose in line with expectations in January," [CNBC reported](#). The personal consumption expenditures (PCE) price index, "an important gauge the Federal Reserve uses as it deliberates cutting interest rates," increased 0.3 percent and was up 2.4 percent from a year ago. GDP growth slowed in the fourth quarter of 2023, compared to the third, but remained solid at 3.2 percent. Sales of new homes have risen, "despite a twin burden imposed by elevated mortgage rates and expensive housing prices," said [ABC News' Max Zahn](#). Consumer confidence took an unexpected hit, according to the latest survey from the Conference Board. "Americans were slightly less worried about food and gas prices last month," [AP News reported](#), "but expressed more concern about jobs and the ongoing presidential campaign." A group of economists at Harvard University and the International Monetary Fund have proposed "a straightforward solution to the puzzle of why people have been giving gloomy assessments of the economy in recent months when hard data shows it's doing just fine." [Investopedia's Diccon Hyatt says](#) the group's research finds that "high interest rates on mortgages, credit cards, and other loans—which are not considered in official measures of inflation such as the Consumer Price Index—hurt household budgets and affect people's feelings about the economy."

Federal Government Indicators and Reports:

Bureau of Economic Analysis

Wednesday, [Gross Domestic Product](#): "Real gross domestic product (GDP) increased at an annual rate of 3.2 percent in the fourth quarter of 2023, according to the 'second' estimate released by the Bureau of Economic Analysis. In the third quarter, real GDP increased 4.9 percent. . . . Real GDP increased 2.5 percent in 2023 (from the 2022 annual level to the 2023 annual level), compared with an increase of 1.9 percent in 2022."

Thursday, [Personal Income and Outlays](#): "Personal income increased \$233.7 billion (1.0 percent at a monthly rate) in January. . . . Disposable personal income (DPI), personal income less personal current taxes, increased \$67.6 billion (0.3 percent) and personal consumption expenditures (PCE) increased \$43.9 billion (0.2 percent). The PCE price index increased 0.3 percent. Excluding food and energy, the PCE price index increased 0.4 percent."

Bureau of Labor Statistics

Friday, [State Unemployment](#): "In 2023, annual average unemployment rates decreased in 6 states, increased in 2 states, and were little changed in 42 states and the District of Columbia. . . . Employment-population ratios increased in 10 states and were little changed in 40 states and the District. The U.S. jobless rate was unchanged over the year at 3.6 percent." Tennessee's average annual unemployment rate in 2023 was 3.3 percent.

Census Bureau

Monday, [New Residential Sales](#): "Sales of new single-family houses in January 2024 were at a seasonally adjusted annual rate of 661,000. . . . This is 1.5 percent above the revised December rate of 651,000 and is 1.8 percent above the January 2023 estimate of 649,000. The median sales price of new houses sold in January 2024 was \$420,700. The average sales price was \$534,300."

Tuesday, [Advance Report on Durable Goods](#): "New orders for manufactured durable goods in January, down three of the last four months, decreased \$18.0 billion or 6.1 percent to \$276.7 billion. . . .

Excluding transportation, new orders decreased 0.3 percent.” New orders for nondefense capital goods, excluding aircraft, increased \$98 million or 0.1 percent to \$73.7 billion ([see table 1](#)).

Wednesday, [Advance Economic Indicators](#): “The international trade deficit was \$90.2 billion in January, up \$2.3 billion from \$87.9 billion in December. Exports of goods for January were \$170.4 billion, \$0.4 billion more than December exports. Imports of goods for January were \$260.6 billion, \$2.7 billion more than December imports. . . . Wholesale inventories for January . . . were estimated at an end-of-month level of \$896.8 billion, down 0.1 percent from December 2023, and were down 2.3 percent from January 2023. . . . Retail inventories . . . were estimated at an end-of-month level of \$804.8 billion, up 0.5 percent from December 2023, and were up 5.1 percent from January 2023.”

Thursday, [Monthly State Retail Sales](#): “Total U.S. Retail Sales excluding Nonstore Retailers (not seasonally adjusted) in November 2023 were up 1.4 percent from November 2022. Eleven states had positive and significant year-over-year percentage changes from November 2022 to November 2023.” In Tennessee, retail sales excluding nonstore retailers decreased 1.2 percent in November 2023 from the previous year.

Friday, [Construction Spending](#): “Construction spending during January 2024 was estimated at a seasonally adjusted annual rate of \$2,102.4 billion, 0.2 percent below the revised December estimate of \$2,105.8 billion. The January figure is 11.7 percent above the January 2023 estimate of \$1,882.2 billion.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending February 24, the advance figure for seasonally adjusted initial claims was 215,000, an increase of 13,000 from the previous week’s revised level. . . . The 4-week moving average was 212,500, a decrease of 3,000 from the previous week’s revised average.” Tennessee (+490) was among the states with the largest increases in initial claims for the week ending February 17, behind Oklahoma (+1,802) and Ohio (+915). Tennessee’s advance figure for initial claims filed during the week ended February 24 was 3,074, an increase of 175 from the week prior.

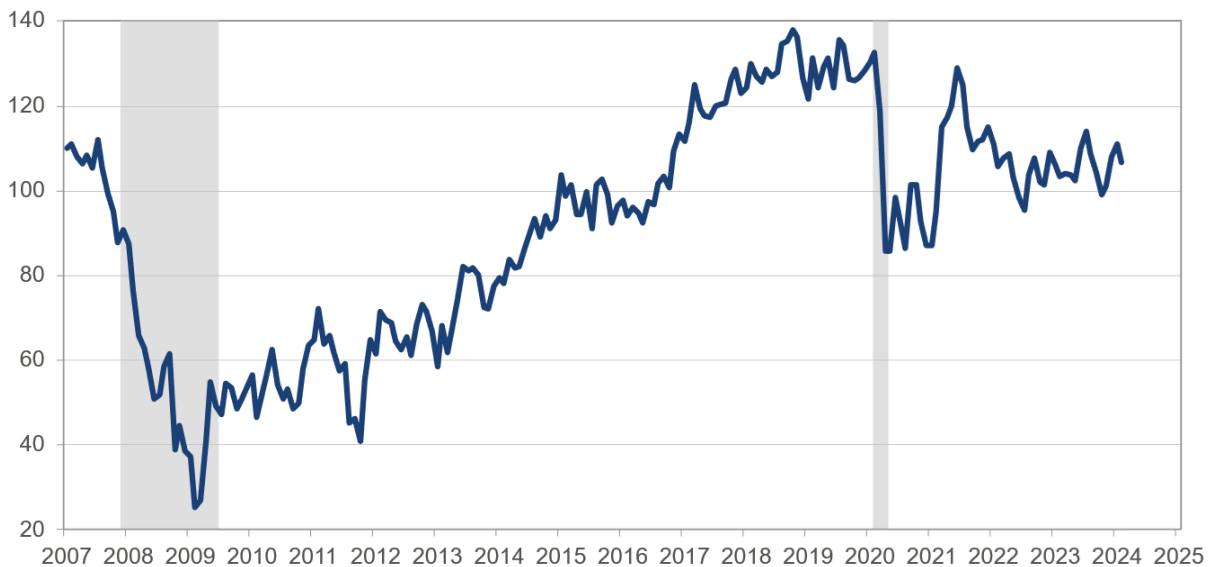
Consumer Confidence and other Economic Indicators:

The Conference Board

Tuesday, [Consumer Confidence Survey](#): “The Conference Board Consumer Confidence Index fell in February to 106.7, down from a revised 110.9 in January. February’s decline in the Index occurred after three consecutive months of gains. However, as January was revised downward from the preliminary reading of 114.8, the data now suggest that there was not a material breakout to the upside in confidence at the start of 2024.”

Consumer Confidence Index®

Index, 1985 = 100



*Shaded areas represent periods of recession.
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University of Michigan

Friday, [Index of Consumer Sentiment](#): “Consumer sentiment moved sideways this month, slipping just two index points below January and holding the gains in sentiment seen over the past three months. Expected business conditions remained substantially higher than last autumn, with short-run expectations now 63 percent above and long-run expectations 46 percent above November 2023 readings. . . . Consumers perceived few changes in the state of the economy since the start of the new year, and they appear to be assured that inflation will continue on a favorable trajectory.”

Final Results for February 2024

	Feb 2024	Jan 2024	Feb 2023	M-M Change	Y-Y Change
Index of Consumer Sentiment	76.9	79.0	66.9	-2.7%	+14.9%
Current Economic Conditions	79.4	81.9	70.7	-3.1%	+12.3%
Index of Consumer Expectations	75.2	77.1	64.5	-2.5%	+16.6%

Mortgages and Housing Markets:

Fannie Mae

Thursday, [Home Price Expectations](#): “A panel of housing experts expects annual national home price growth of 3.8 percent in 2024 and 3.4 percent in 2025. . . . The panel’s latest estimates of national home price growth are higher than last quarter’s expectations of 2.4 percent for 2024 and 2.7 percent

for 2025. . . . The panel also projects a median 30-year fixed mortgage rate of 6 percent by the end of 2024.”

Freddie Mac

Monday, [Economic, Housing, and Mortgage Market Outlook](#): “Total (existing + new) home sales for full year 2023 were 4.8 million, the lowest level since 2011. This decline was led by existing home sales, which came in at 4.1 million, a 30-year low. Existing home sales for December 2023 declined 1 percent from the prior month to a 3.8 million annualized rate and were down 6 percent year-over-year. . . . We expect inflation to continue to moderate as the shelter component continues to decline, as indicated by declining rent growth. . . . Declining mortgage rates from the 23-year high in October has prompted many prospective home buyers to apply for mortgages resulting in a modest uptick in applications in recent weeks. However, due to limited housing inventory, we expect home sales to grow only modestly despite high buyer demand.”

Thursday, [Primary Mortgage Market Survey](#): “‘Mortgage rates continued their ascent this week, reaching a two-month high and flirting with seven percent yet again,’ said Sam Khater, Freddie Mac’s Chief Economist. ‘The recent boomerang in rates has dampened already tentative homebuyer momentum as we approach the spring, a historically busy season for homebuying.’ . . . The 30-year fixed-rate mortgage (FRM) averaged 6.94 percent as of February 29, 2024, up from last week when it averaged 6.90 percent. A year ago at this time, the 30-year FRM averaged 6.65 percent.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications decreased 5.6 percent from one week earlier, according to data . . . for the week ending February 23, 2024. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$766,550 or less) decreased to 7.04 percent from 7.06 percent.”

Thursday, [Purchase Applications Payment Index](#): “Homebuyer affordability declined in January, with the national median payment applied for by purchase applicants increasing to \$2,134 from \$2,055 in December.”

National Association of Realtors

Thursday, [Pending Home Sales Index](#): “Pending home sales in January dropped 4.9 percent. . . . The Pending Home Sales Index . . . decreased to 74.3 in January. Year over year, pending transactions were down 8.8 percent. An index of 100 is equal to the level of contract activity in 2001.”

S&P CoreLogic

Tuesday, [Case-Shiller National Home Price Index](#): “Data released today for December 2023 show that 17 out of the 20 major metro markets reported month-over-month price decreases.” Year-over-year, the national index “reported a 5.5 percent annual gain in December, up from a 5.0 percent rise in the previous month.”