

Economic Update, September 13, 2024

Submitted by Bob Moreo

Summary: "Inflation in August declined to its lowest level since February 2021," [CNBC reported](#) on Wednesday, "setting the stage for an expected quarter percentage point rate cut" when the Federal Reserve meets next week. This followed news from the Census Bureau that "inflation-adjusted median income of U.S. households rebounded last year to roughly its 2019 level," which the [Associated Press said](#) helped overcome "the biggest price spike in four decades to restore most Americans' purchasing power." Mortgage rates continued to fall, reaching their "lowest level since February 2023," [according to Yahoo! Finance](#).

Farmers are worried about the "persistent drought that has haunted this year's corn crop in southern Tennessee." [NewsChannel5 spoke to one Lincoln County farmer](#) who sells his corn to Jack Daniels in Lynchburg. This year, he'll need to rely on crop insurance for help, "but it doesn't cover the entire cost of a lost crop." [WBBJ reports](#) that corn and soybean yields in West Tennessee "could be cut to about one-third of what is normal during harvest because of the drought."

TACIR partners with the Business and Economic Research Center at MTSU to maintain the [Tracking Tennessee's Economy](#) dashboard. According to the latest monthly update, Tennessee's economic indicators displayed a negative trend in July 2024. Building permits decreased, weekly hours worked fell, and state sales tax collections dropped. Please visit the interactive dashboard 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

Wednesday, [Consumer Price Index](#): "The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent on a seasonally adjusted basis, the same increase as in July. . . . The index for shelter rose 0.5 percent in August and was the main factor in the all items increase. . . . The all items index rose 2.5 percent for the 12 months ending August, the smallest 12-month increase since February 2021."

Wednesday, [Real Earnings](#): "Real average hourly earnings for all employees increased 0.2 percent from July to August, seasonally adjusted. . . . This result stems from an increase of 0.4 percent in average hourly earnings combined with an increase of 0.2 percent in the Consumer Price Index. . . . Real average hourly earnings increased 1.3 percent, seasonally adjusted, from August 2023 to August 2024."

Thursday, [Producer Price Index](#): "The Producer Price Index for final demand increased 0.2 percent in August, seasonally adjusted. . . . Final demand prices were unchanged in July and rose 0.2 percent in June. On an unadjusted basis, the index for final demand advanced 1.7 percent for the 12 months ended in August. . . . For the 12 months ended in August, the index for processed goods for intermediate demand fell 1.1 percent. . . . Prices for unprocessed goods for intermediate demand fell 4.3 percent. . . . Prices for services for intermediate demand advanced 3.4 percent."

Friday, [U.S. Import and Export Price Indexes](#): "Import prices declined 0.3 percent in August following increases of 0.1 percent in July and June. . . . The August decline was the largest monthly drop since the index decreased 0.7 percent in December 2023. In spite of the August decline, U.S. import prices increased 0.8 percent over the past year."

“U.S. export prices declined 0.7 percent in August following a 0.5-percent increase the previous month. . . . Export prices fell 0.7 percent for the year. . . . The price index for agricultural exports declined 2.0 percent for the second consecutive month in August.”

Bureau of Transportation Statistics

Thursday, [Freight Transportation Services Index](#): “The Freight Transportation Services Index, which is based on the amount of freight carried by the for-hire transportation industry, fell 0.2 percent in July from June, falling for the second consecutive month. . . . From July 2023 to July 2024 the index fell 0.5 percent. . . . For-hire freight shipments are down 0.2 percent in the five years from July 2019.”

Census Bureau

Monday, [Monthly Wholesale Trade](#): “July 2024 sales of merchant wholesalers . . . were \$671.0 billion [seasonally adjusted], up 1.1 percent from the revised June level and were up 2.9 percent from the revised July 2023 level. . . . [Inventories] were \$903.5 billion at the end of July, up 0.2 percent from the revised June level. Total inventories were up 0.4 percent from the revised July 2023 level.”

Tuesday, [Quarterly Manufacturing, Mining, Wholesale Trade, and Selected Service Industries](#): “U.S. manufacturing corporations' seasonally adjusted after-tax profits in the second quarter of 2024 totaled \$210.9 billion, up \$7.8 billion from the after-tax profits of \$203.2 billion recorded in the first quarter of 2024, and up \$10.3 billion from the after-tax profits of \$200.6 billion recorded in the second quarter of 2023. . . . Seasonally adjusted sales for the quarter totaled \$1,922.6 billion, not statistically different from the \$1,919.0 billion in the first quarter of 2024, but down \$62.3 billion from the \$1,984.9 billion recorded in the second quarter of 2023.”

Tuesday, [Quarterly Retail Trade](#): “Seasonally adjusted after-tax profits of U.S. retail corporations with assets of \$50 million and over totaled \$49.9 billion, up \$17.1 billion from the \$32.8 billion recorded in the first quarter of 2024, but not statistically different from the \$49.4 billion in the second quarter of 2023. . . . Seasonally adjusted sales for the quarter totaled \$1,021.9 billion, not statistically different from the \$1,019.0 billion in the first quarter of 2024, and not statistically different from the \$1,014.6 billion in the second quarter of 2023.”

Wednesday, [Quarterly Services Survey](#): “U.S. selected services total revenue for the second quarter of 2024, adjusted for seasonal variation but not for price changes, was \$5,603.2 billion, an increase of 1.5 percent from the first quarter of 2024 and up 6.5 percent from the second quarter of 2023.”

Thursday, [Business Formation Statistics](#): “Business Applications for August 2024, adjusted for seasonal variation, were 431,928, an increase of 2.5 percent compared to July 2024. . . . Projected Business Formations (within 4 quarters) for August 2024, adjusted for seasonal variation, were 28,927, an increase of 2.6 percent compared to July 2024.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending September 7, the advance figure for seasonally adjusted initial claims was 230,000, an increase of 2,000 from the previous week's revised level. . . . The 4-week moving average was 230,750, an increase of 500 from the previous week's revised average. . . . The advance seasonally adjusted insured unemployment rate was 1.2 percent for the week ending August 31, unchanged from the previous week's unrevised rate.”

Federal Reserve Board

Monday, [Consumer Credit](#): “In July, consumer credit increased at a seasonally adjusted annual rate of 6.0 percent. Revolving credit increased at an annual rate of 9.4 percent, while nonrevolving credit increased at an annual rate of 4.8 percent.”

Thursday, [Financial Accounts of the United States](#): “Household net worth increased by \$2.8 trillion in the second quarter, primarily driven by increases in stock prices and home prices. . . . Household debt increased at a seasonally adjusted annual rate of 3.2 percent in the second quarter amid an uptick in mortgage debt growth and somewhat tepid growth of nonmortgage consumer credit.”

Economic Indicators and Confidence:

Federal Reserve Bank of New York

Monday, [Survey of Consumer Expectations](#): “Median inflation expectations at the one- and five-year horizons remained unchanged in August at 3.0 percent and 2.8 percent, respectively. . . . Median one-year-ahead expected earnings growth increased to 2.9 percent from 2.7 percent, just above its 12-month trailing average of 2.8 percent. . . . The average perceived probability of missing a minimum debt payment over the next three months increased by 0.3 percentage point to 13.6 percent, its third consecutive increase. The current reading is the highest since April 2020. . . . Perceptions about households’ current financial situations deteriorated slightly with fewer respondents reporting being better off than a year ago and more respondents reporting being worse off. Year-ahead expectations also deteriorated somewhat, with a larger share of respondents expecting to be worse off.”

National Federation of Independent Business

Tuesday, [Small Business Optimism Index](#): “The NFIB Small Business Optimism Index fell by 2.5 points in August to 91.2, erasing all of July’s gain. This is the 32nd consecutive month below the 50-year average of 98. The Uncertainty Index rose to 92, its highest level since October 2020. . . . The frequency of reports of positive profit trends was a net negative 37 percent (seasonally adjusted), seven points worse than in July and the lowest since March 2010. . . . Among owners reporting lower profits, 31 percent blamed weaker sales, 17 percent blamed the rise in the cost of materials, 13 percent cited labor costs, and 10 percent cited lower selling prices.”

S&P Global

Wednesday, [GEP Global Supply Chain Volatility Index](#): This index, “a leading indicator tracking demand conditions, shortages, transportation costs, inventories and backlogs based on a monthly survey of 27,000 businesses—fell to -0.37 in August. This is its lowest level year-to-date (vs. -0.22 in July), signaling the highest level of spare capacity at global suppliers in 2024. This marked two successive months of underutilized capacity across the world’s supply chains, and the lowest level of input demand in eight months, as global economic conditions deteriorate.”

University of Michigan

Friday, [Surveys of Consumers](#): “Consumer sentiment rose to its highest reading since May 2024, increasing for the second consecutive month and lifting about 2 percent above August. . . . Year-ahead expectations for personal finances and the economy both improved as well, despite a modest weakening in views of labor markets. . . . Sentiment is now about 40 percent above its June 2022 low.”

Preliminary Results for September 2024

	Sep 2024	Aug 2024	Sep 2023	M-M Change	Y-Y Change
Index of Consumer Sentiment	69.0	67.9	67.8	+1.6%	+1.8%
Current Economic Conditions	62.9	61.3	71.1	+2.6%	-11.5%
Index of Consumer Expectations	73.0	72.1	65.7	+1.2%	+11.1%

Mortgages and Housing Markets:

Fannie Mae

Monday, [Home Purchase Sentiment Index](#): The index “increased 0.6 points in August to 72.1, as consumers reported significantly greater optimism about the future direction of mortgage rates despite showing little change in overall homebuying sentiment. In August, a survey-high 39 percent of consumers said they expect mortgage rates to decline in the next 12 months, up from 29 percent the month prior. . . . Despite the improved affordability outlook, consumers’ perception of homebuying conditions remained unchanged, with only 17 percent indicating it’s a good time to buy a home.”

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “Mortgage rates have fallen more than half a percent over the last six weeks and are at their lowest level since February 2023,’ said Sam Khater, Freddie Mac’s chief economist. . . . The 30-year [fixed rate mortgage] averaged 6.20 percent as of September 12, 2024, down from last week when it averaged 6.35 percent. A year ago at this time, the 30-year FRM averaged 7.18 percent.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications increased 1.4 percent from one week earlier, according to data from the Mortgage Bankers Association’s Weekly Applications Survey for the week ending September 6, 2024. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$766,550 or less) decreased to 6.29 percent from 6.43 percent.”