

Economic Update, October 27, 2023

Submitted by Bob Moreo

Summary: Nothing too ghoulish to report as we head into Halloween—although one release was hiding rather boring news behind a flashy mask. “A flush of new contracts for Boeing airplanes” was responsible for a better-than-expected report on orders for new durable goods, [writes Jeffrey Bartash for MarketWatch](#). Excluding transportation—airplanes and automobiles—from the 4.7 percent increase, “new orders rose a more modest 0.5 percent last month.”

Real gross domestic product grew at a rate of 4.9 percent in the third quarter, “fueled by a 4 percent rise in personal consumption expenditures,” [Investor’s Business Daily](#) reported. According to the same report, inflation either slowed or remained stubbornly high, depending on how one chooses to look at it. “The core PCE [personal consumption expenditures] price index, which excludes food and energy, rose at a 2.4 percent annual rate in Q3, down from 3.7 percent in Q2.” However, a narrower measure of “supercore services” that focuses on service wage growth rose at a 3.5 percent rate, “a touch higher than in Q2.”

Mortgage rates are nearing eight percent, but sales of new single-family homes “surged to a 19-month high in September,” [Reuters reported](#), “as the annual median house price dropped by the most since 2009 amid discounts offered by builders to woo buyers.” The [National Association of Home Builders](#) credited “a lack of inventory in the resale market,” also noting that “stability in building material costs, especially lumber prices,” has helped builders lower prices.

TACIR’s partners at the Middle Tennessee State University Business and Economic Research Center have updated our [“Tracking Tennessee’s Economy” dashboard](#) with economic indicators from August 2023, which they say “displayed a mix of trends.” “On the positive side, single-family permits and average hourly earnings increased while the unemployment rate decreased. Conversely, weekly initial claims rose, and state sales tax collections and weekly hours worked decreased.”

Federal Government Indicators and Reports:

Bureau of Economic Analysis

Thursday, [Gross Domestic Product](#): “Real gross domestic product (GDP) increased at an annual rate of 4.9 percent in the third quarter of 2023” according to the bureau’s advance estimate. “In the second quarter, real GDP increased 2.1 percent. . . . Compared to the second quarter, the acceleration in real GDP in the third quarter reflected accelerations in consumer spending, private inventory investment, and federal government spending and upturns in exports and residential fixed investment. These movements were partly offset by a downturn in nonresidential fixed investment and a deceleration in state and local government spending.”

Friday, [Personal Income and Outlays](#): “Personal income increased \$77.8 billion (0.3 percent at a monthly rate) in September. . . . Personal consumption expenditures (PCE) increased \$138.7 billion (0.7 percent). . . . The PCE price index increased 0.4 percent. Excluding food and energy, the PCE price index increased 0.3 percent.”

	2023				
	May	June	July	Aug.	Sept.
	Percent change from preceding month				
Personal income:					
Current dollars	0.3	0.2	0.2	0.4	0.3
Disposable personal income:					
Current dollars	0.5	0.1	0.0	0.3	0.3
Chained (2017) dollars	0.4	0.0	-0.2	-0.1	-0.1
Personal consumption expenditures (PCE):					
Current dollars	0.2	0.4	0.8	0.4	0.7
Chained (2017) dollars	0.1	0.3	0.6	0.1	0.4
Price indexes:					
PCE	0.1	0.2	0.2	0.4	0.4
PCE, excluding food and energy	0.3	0.2	0.2	0.1	0.3
	Percent change from month one year ago				
Price indexes:					
PCE	4.0	3.2	3.4	3.4	3.4
PCE, excluding food and energy	4.7	4.3	4.3	3.8	3.7

Bureau of Labor Statistics

Wednesday, [Business Employment Dynamics](#): “From December 2022 to March 2023, gross job gains from opening and expanding private-sector establishments were 8.0 million, a decrease of 67,000 jobs from the previous quarter. . . . The difference between the number of gross job gains and the number of gross job losses yielded a net employment gain of 976,000 jobs in the private sector during the first quarter of 2023.” In Tennessee, 162,157 gross job gains and 137,669 gross job losses led to a net employment gain of 24,488 private-sector jobs in the first quarter of 2023.

Bureau of Transportation Statistics

Wednesday, [North American Transborder Freight](#): In August 2023, \$138.0 billion of transborder freight moved between the U.S. and its neighbors, Canada and Mexico, down 1.7 percent compared to August 2022.

Census Bureau

Wednesday, [New Residential Sales](#): “Sales of new single-family houses in September 2023 were at a seasonally adjusted annual rate of 759,000. . . . This is 12.3 percent above the revised August rate of 676,000 and is 33.9 percent above the September 2022 estimate of 567,000.”

Thursday, [Advance Report on Durable Goods](#): “New orders for manufactured durable goods in September, up following two consecutive monthly decreases, increased \$13.2 billion or 4.7 percent to \$297.2 billion. . . . Transportation equipment, also up following two consecutive monthly decreases, led the increase, \$12.3 billion or 12.7 percent to \$109.2 billion.” Transportation aside, new orders were up 0.5 percent.

Thursday, [Advance Economic Indicators](#): “The international trade deficit was \$85.8 billion in September, up \$1.1 billion from \$84.6 billion in August. Exports of goods for September were \$174.0 billion, \$5.0 billion more than August exports. Imports of goods for September were \$259.8 billion, \$6.1 billion more than August imports. . . . Wholesale inventories . . . were estimated at an end-of-month level of \$900.6 billion, virtually unchanged from August 2023, and were down 1.3 percent from

September 2022. . . . Retail inventories . . . were estimated at an end-of-month level of \$800.7 billion, up 0.9 percent from August 2023, and were up 5.6 percent from September 2022.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending October 21, the advance figure for seasonally adjusted initial claims was 210,000, an increase of 10,000 from the previous week's revised level. . . . The 4-week moving average was 207,500, an increase of 1,250 from the previous week's revised average.”

Tennessee reported an unadjusted increase of 1,111 initial claims for the week ending October 14, the largest increase among all states. The state commented that there were “layoffs in the manufacturing, transportation and warehousing, health care and social assistance, administrative and support and waste management and remediation services, and retail trade industries.” Advance initial claims filed during the week ending October 21, however, show a decrease of 1,172.

Other Indicators:

American Staffing Association

Tuesday, [Staffing Index](#): “Staffing employment edged down in the week of October 9-15, with the ASA Staffing Index decreasing by 0.1 percent to a rounded value of 100. . . . Staffing jobs were 7.2 percent below the same week last year.”

S&P Global

Tuesday, [Flash U.S. Composite Purchasing Managers' Index \(PMI\)](#): “U.S. companies signaled a marginal expansion in business activity during October, following broadly stagnant output seen in August and September. Manufacturers and service providers alike reported improved activity levels as the downturn in demand moderated. The rise in total output was the quickest for three months.”

University of Michigan

Friday, [Index of Consumer Sentiment](#): “Consumer sentiment confirmed its early-month reading,” according to Surveys of Consumers director Joanne Hsu, “falling back about 6 percent this October following two consecutive months of very little change. This decline was driven in large part by higher-income consumers and those with sizable stock holdings, consistent with recent weakness in equity markets.”

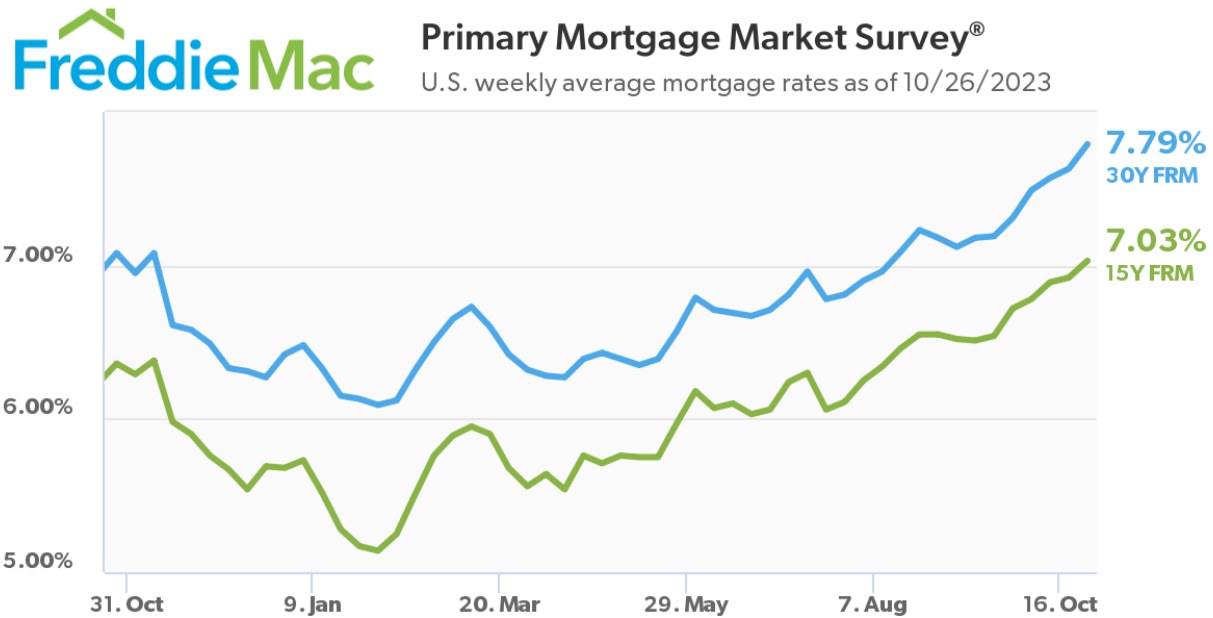
Final Results for October 2023

	Oct	Sep	Oct	M-M	Y-Y
	2023	2023	2022	Change	Change
Index of Consumer Sentiment	63.8	67.9	59.9	-6.0%	+6.5%
Current Economic Conditions	70.6	71.1	65.6	-0.7%	+7.6%
Index of Consumer Expectations	59.3	65.8	56.2	-9.9%	+5.5%

Mortgages and Housing Markets:

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “For the seventh week in a row, mortgage rates continued to climb toward eight percent, resulting in the longest consecutive rise since the Spring of 2022,” said Sam Khater, Freddie Mac’s chief economist. . . . ‘Purchase activity has slowed to a virtual standstill, affordability remains a significant hurdle for many, and the only way to address it is lower rates and greater inventory.’”



Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications decreased 1.0 percent from one week earlier, according to data . . . for the week ending October 20, 2023. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$726,200 or less) increased to 7.90 percent from 7.70 percent.”

National Association of Realtors

Thursday, [Pending Home Sales](#): “The Pending Home Sales Index . . . rose 1.1 percent to 72.6 in September. Year over year, pending transactions declined 11 percent. . . . NAR forecasts that the 30-year fixed mortgage rate will average 6.9 percent for 2023 and decrease to an average of 6.3 percent in 2024. . . . NAR predicts existing-home sales will decrease 17.5 percent in 2023, settling at 4.15 million, before rising 13.5 percent, to 4.71 million in 2024.”