

Economic Update, October 20, 2023  
Submitted by Michael Mount

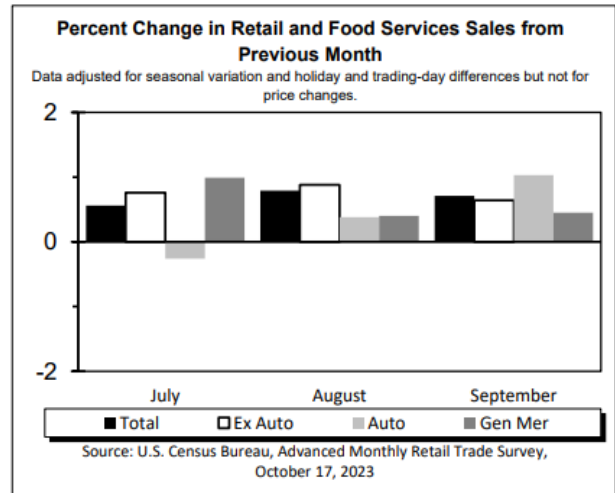
Summary: Building on a strong jobs report earlier this month, retail sales were also strong, increasing 0.7 percent from August to September 2023. However, the Conference Board’s leading economic index worsened and continued to indicate that [a shallow recession is likely in the first half of 2024](#). Mortgage applications decreased to the lowest level since 1995, and existing home sales were the lowest [since October 2010](#). Although conditions remain tight, there was some slight easing in the labor market; according to the Federal Reserve’s Beige Book, central Tennessee manufacturing and shipping companies reported that labor shortages were no longer their most pressing issue.

**Federal Government Indicators and Reports**

U.S. Census

Tuesday, [Retail Sales](#): “Advance estimates of U.S. retail and food services sales for September 2023 . . . were \$704.9 billion, up 0.7 percent from the previous month, and up 3.8 percent above September 2022.”

ADVANCE MONTHLY SALES		
September 2023	\$704.9 billion	0.7%
August 2023 (revised)	\$699.9 billion	0.8%
Next release: November 15, 2023		
<small>* The 90 percent confidence interval includes zero. There is insufficient statistical evidence to conclude that the actual change is different from zero. Data adjusted for seasonal variation and holiday and trading-day differences but not for price changes. Source: U.S. Census Bureau, Advanced Monthly Retail Trade Survey, October 17, 2023</small>		



Tuesday, [Business Inventories](#): “Manufacturers’ and trade inventories for August . . . were estimated at an end-of-month level of \$2,548.7 billion, up 0.4 percent from July 2023 and were up 1.0 percent from August 2022.”

U.S. Treasury

Wednesday, [International Capital](#): “The sum total in August of all net foreign acquisitions of long-term securities, short-term U.S. securities, and banking flows was a net inflow of \$134.4 billion.”

Department of Labor

Thursday, [Initial Claims](#): “In the week ending October 14, the advance figure for seasonally adjusted initial claims was 198,000, a decrease of 13,000 from the previous week’s revised level.” In Tennessee, initial claims for the week ending October 14 were 3,447, an increase of 1,050 from the week prior.

## Economic Indicators and Confidence

### Federal Reserve

Tuesday, [FOMC Minutes](#): In minutes from the Federal Open Market Committee’s September meeting, “Federal Reserve Bank directors generally reported moderating or steady economic activity, with many noting resiliency in consumer spending and some improvement in supply chains.”

Tuesday, [Industrial Production and Capacity Utilization](#): “Industrial production increased 0.3 percent in September and advanced at an annual rate of 2.5 percent in the third quarter. . . . Capacity utilization moved up 0.2 percentage point to 79.7 percent in September, a rate that is equal to its long-run (1972–2022) average.”

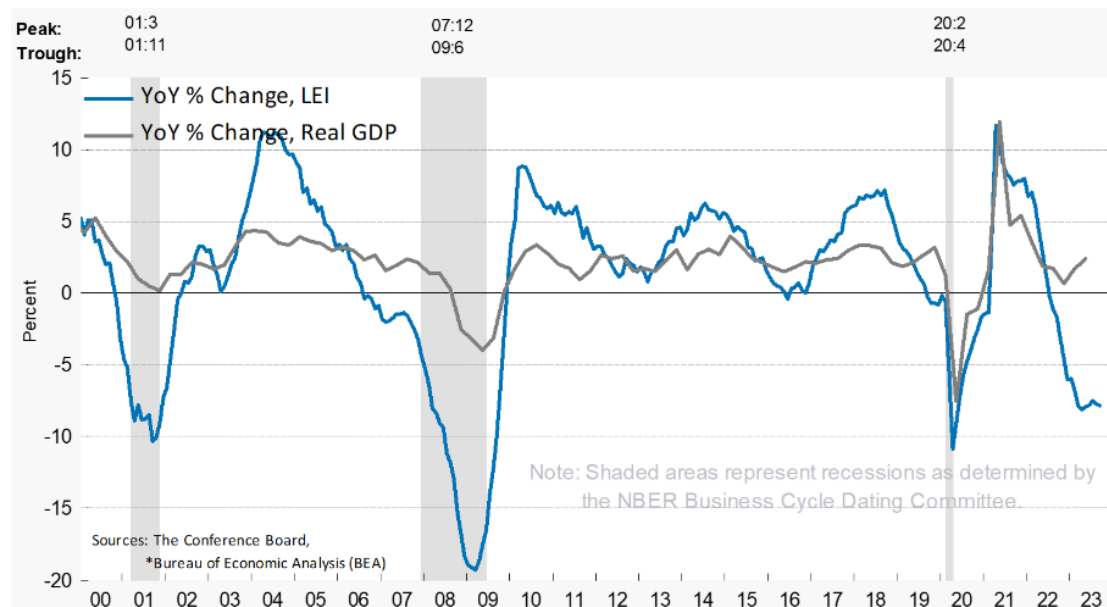
Wednesday, [Governor Waller Speech](#): “Economic activity and the labor market have been strong, with what looks like growth well above trend and unemployment near a 50-year low. Meanwhile, there has been continued, gradual progress in lowering inflation, and moderation in wage growth.”

Wednesday, [Beige Book](#): “Most Districts indicated little to no change in economic activity since the September report. Consumer spending was mixed, especially among general retailers and auto dealers, due to differences in prices and product offerings. . . . Central Tennessee manufacturing and shipping contacts reported that labor shortages were no longer their most pressing issue.”

Thursday, [Chairman Powell Speech](#): “Inflation readings turned lower over the summer, a very favorable development. The September inflation data continued the downward trend but were somewhat less encouraging. . . . In the labor market, strong job creation has met a welcome increase in the supply of workers, due to both higher participation and a rebound of immigration to pre-pandemic levels.”

### The Conference Board

Thursday, [Leading Economic Index](#): The index “for the U.S. declined by 0.7 percent in September 2023 to 104.6 (2016=100), following a decline of 0.5 percent in August. The LEI is down 3.4 percent over the six-month period between March and September 2023, an improvement from its 4.6 percent contraction over the previous six months (September 2022 to March 2023).



## **Mortgages and Housing Markets**

### National Association of Home Builders

Tuesday, [Housing Market Index](#): “Stubbornly high mortgage rates that have climbed to a 23-year high and have remained above 7 percent for the past two months continue to take a heavy toll on builder confidence, as sentiment levels have dropped to the lowest point since January 2023.” The index fell four points from 44 to 40.

### U.S. Census

Wednesday, [New Residential Construction](#): “Privately-owned housing units authorized by building permits in September were at a seasonally adjusted annual rate of 1,473,000. This is 4.4 percent below the revised August rate of 1,541,000 and is 7.2 percent below the September 2022 rate of 1,588,000.”

### Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$726,200 or less) increased to 7.70 percent from 7.67 percent.” Joel Kan, MBA’s Vice President and Deputy Chief Economist, said, “Applications decreased to their lowest level since 1995, as the 30-year fixed mortgage rate increased for the sixth consecutive week to 7.70 percent – the highest level since November 2000.”

### National Association of Realtors

Thursday, [Existing Home Sales](#): “Existing-home sales slid 2.0 percent in September to a seasonally adjusted annual rate of 3.96 million. Sales retreated 15.4 percent from one year ago. . . . Existing-home sales faded in September. . . . Among the four major U.S. regions, sales rose in the Northeast but receded in the Midwest, South and West. All four regions registered year-over-year sales declines.”

