

Economic Update, May 10, 2024

Submitted by Bob Moreo

Summary: Consumer sentiment about the economy fell sharply in early May. [CNBC reported](#) that “the University of Michigan Survey of Consumers sentiment index for May posted an initial reading of 67.4 for the month, down from 77.2 in April. . . . The one-year outlook [for inflation] jumped to 3.5 percent, up 0.3 percentage point from a month ago to the highest level since November.” Consumers may have begun to rein in spending, which “raises red flags,” one strategist [told MarketWatch](#). According to Federal Reserve data, MarketWatch reported, “credit-card borrowing rose a slight 0.1 percent in March after a 9.7 percent gain in the prior month. That’s the slowest pace since April 2021.” Mortgage rates have begun to retreat from recent highs—although analysts aren’t predicting a significant decrease this year. “[The] forecast includes the Fed cutting interest rates 25 basis points two times in the fall,” Douglas Duncan, Fannie Mae’s chief economist, [told Yahoo Finance](#), while Fannie Mae “increased its year-end prediction to 6.4 percent from 5.9 percent earlier this year.”

Federal Government Indicators and Reports:

Bureau of Transportation Statistics

Wednesday, [Freight Transportation Services Index](#): “The amount of freight carried by the for-hire transportation industry fell 1.2 percent in March from February, falling for the first month after a one month increase. . . . From March 2023 to March 2024 the index fell 1.0 percent. . . . The level of for-hire freight shipments in March measured by the Freight TSI (136.2) was 3.6 percent below the all-time high of 141.3 reached in August 2022.”

Census Bureau

Wednesday, [Monthly Wholesale Trade](#): “March 2024 sales of merchant wholesalers . . . were \$662.8 billion, down 1.3 percent from the revised February level, but were up 1.4 percent from the revised March 2023 level. . . . [Inventories] were \$894.7 billion at the end of March, down 0.4 percent from the revised February level. Total inventories were down 2.3 percent from the revised March 2023 level.”



Thursday, [Business Formation Statistics](#): “Business Applications for April 2024, adjusted for seasonal variation, were 432,517, a decrease of 0.5 percent compared to March 2024. . . . Projected Business Formations (within 4 quarters) for April 2024, adjusted for seasonal variation, were 27,806, a decrease of 2.2 percent compared to March 2024.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending May 4, the advance figure for seasonally adjusted initial claims was 231,000, an increase of 22,000 from the previous week's revised level. . . . The 4-week moving average was 215,000, an increase of 4,750 from the previous week's revised average. . . . The advance seasonally adjusted insured unemployment rate was 1.2 percent for the week ending April 27, unchanged from the previous week's unrevised rate.”

Federal Reserve Board

Tuesday, [Consumer Credit](#): “Consumer credit increased at a seasonally adjusted annual rate of 3.2 percent during the first quarter. Revolving credit increased at an annual rate of 5.7 percent, while nonrevolving credit increased at an annual rate of 2.2 percent. In March, consumer credit increased at an annual rate of 1.5 percent.”

Sentiment and Expectations:

Fannie Mae

Tuesday, [Home Purchase Sentiment Index](#): “The Fannie Mae Home Purchase Sentiment Index was unchanged in April at 71.9 and is showing signs of once again plateauing as consumers continue to adjust to the higher interest rate and home price environment. This month, 67 percent of consumers indicated that it's a good time to sell a home, while 20 percent said it's a good time to buy a home. These two indicators are up 10 percentage points and 3 percentage points, respectively, since the end of 2023, despite mortgage rates having moved steadily upward.”

Federal Reserve Bank of New York

Monday, [SCE Housing Survey](#): “The pace at which households expect home prices to rise in the next year has reaccelerated after falling last year, with average one-year ahead expectations now reaching their second highest reading in the survey's history. In contrast, home price growth expectations for the next five years declined slightly. . . . Average expectations of residential mobility, the percent chance of moving to a different primary residence, fell to new series lows at both the one-year (13.4 percent) and three-year (24.5 percent) horizons, continuing a declining mobility trend since 2014.”

University of Michigan

Friday, [Index of Consumer Sentiment](#): “Consumer sentiment retreated about 13 percent this May following three consecutive months of very little change. This 10 index-point decline is statistically significant and brings sentiment to its lowest reading in about six months. . . . While consumers had been reserving judgment for the past few months, they now perceive negative developments on a number of dimensions. They expressed worries that inflation, unemployment and interest rates may all be moving in an unfavorable direction in the year ahead.”

Preliminary Results for May 2024

	May 2024	Apr 2024	May 2023	M-M Change	Y-Y Change
Index of Consumer Sentiment	67.4	77.2	59.0	-12.7%	+14.2%
Current Economic Conditions	68.8	79.0	65.1	-12.9%	+5.7%
Index of Consumer Expectations	66.5	76.0	55.1	-12.5%	+20.7%

Mortgages and Housing Markets:

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “After a five week climb, mortgage rates ticked down following a weaker than expected jobs report,” said Sam Khater, Freddie Mac’s chief economist. “The 30-year FRM averaged 7.09 percent as of May 9, 2024, down from last week when it averaged 7.22 percent. A year ago at this time, the 30-year FRM averaged 6.35 percent.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications increased 2.6 percent from one week earlier, according to data from the Mortgage Bankers Association’s (MBA) Weekly Mortgage Applications Survey for the week ending May 3. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$766,550 or less) decreased to 7.18 percent from 7.29 percent.”

National Association of Home Builders

Thursday, [Multifamily Market Survey](#): “Confidence in the market for new multifamily housing declined year-over-year in the first quarter of 2024. . . . The Multifamily Production Index (MPI) had a reading of 47, down three points year-over-year, while the Multifamily Occupancy Index (MOI) had a reading of 83, up one point year-over-year.”

National Association of Realtors

Wednesday, [Housing Affordability Index](#): “Housing affordability weakened nationally in March compared to the previous month. The monthly mortgage payment increased by 2.8 percent, while the median price of single-family homes increased by 2.4 percent. The monthly mortgage payment increased by \$57 from last month. . . . Compared to one year ago, affordability fell in March as the monthly mortgage payment climbed by 7.7 percent and median family income rose by 5.2 percent.”