Economic Update, September 22, 2023

Submitted by Chris Belden

Summary: The Federal Reserve decided to keep interest rates steady at its meeting earlier this week amid easing economic conditions and inflation at 3.7 percent. Regarding possible rate increases in the future, the Fed seems to be taking a wait-and-see approach, as "tighter credit conditions for households and businesses are likely to weigh on economic activity, hiring, and inflation. The extent of these effects remains uncertain. The Committee remains highly attentive to inflation risks." In other news, sales of existing homes dropped by over 15 percent from one year ago while the median existing-home price increased by 3.9 percent according to data from the National Association of Realtors.

Federal Government Indicators and Reports

Bureau of Labor Statistics

Tuesday, State Employment and Unemployment: "Unemployment rates were higher in August in 10 states, lower in 2 states, and stable in 38 states and the District of Columbia. . . . Twenty-five states had jobless rate decreases from a year earlier, 9 states and the District had increases, and 16 states had little change." Tennessee's unemployment rate was 3.1 percent in August.

Department of Labor

Thursday, Weekly Initial Claims: "In the week ending September 16, the advance figure for seasonally adjusted initial claims was 201,000, a decrease of 20,000 from the previous week's revised level. . . . The 4-week moving average was 217,000, a decrease of 7,750 from the previous week's revised average."

Federal Reserve

Wednesday, Interest Rate Decision: "Recent indicators suggest that economic activity has been expanding at a solid pace. Job gains have slowed in recent months but remain strong, and the unemployment rate has remained low. Inflation remains elevated. . . . The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, the Committee decided to maintain the target range for the federal funds rate at 5-1/4 to 5-1/2 percent."

Economic Indicators and Confidence

The Conference Board

Thursday, Leading Economic Index: "The Conference Board Leading Economic Index (LEI) for the U.S. declined by 0.4 percent in August 2023 to 105.4 (2016=100), following a decline of 0.3 percent in July. The LEI is down 3.8 percent over the six-month period between February and August 2023—little changed from its 3.9 percent contraction over the previous six months (August 2022 to February 2023)."

Mortgages and Housing Markets

National Association of Home Builders

Monday, Housing Market Index: “Persistently high mortgage rates above 7 percent continue to erode builder confidence, as sentiment levels have dropped below the key break-even measure of 50 for the first time in five months. . . . Builder confidence in the market for newly built single-family homes in September fell five points to 45.”

U.S. Census Bureau

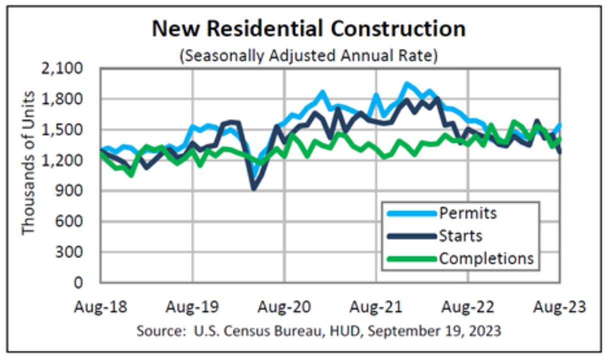
Tuesday, New Residential Construction: “Privately-owned housing units authorized by building permits in August were at a seasonally adjusted annual rate of 1,543,000. This is 6.9 percent above the revised July rate of 1,443,000, but is 2.7 percent below the August 2022 rate of 1,586,000. . . . Privately-owned housing starts in August were at a seasonally adjusted annual rate of 1,283,000. This is 11.3 percent below the revised July estimate of 1,447,000 and is 14.8 percent below the August 2022 rate of 1,505,000.”

NEW RESIDENTIAL CONSTRUCTION AUGUST 2023

Building Permits:	**1,543,000**
Housing Starts:	**1,283,000**
Housing Completions:	**1,406,000**

Next Release: October 18, 2023

Seasonally Adjusted Annual Rate (SAAR)
Source: U.S. Census Bureau, HUD, September 19, 2023

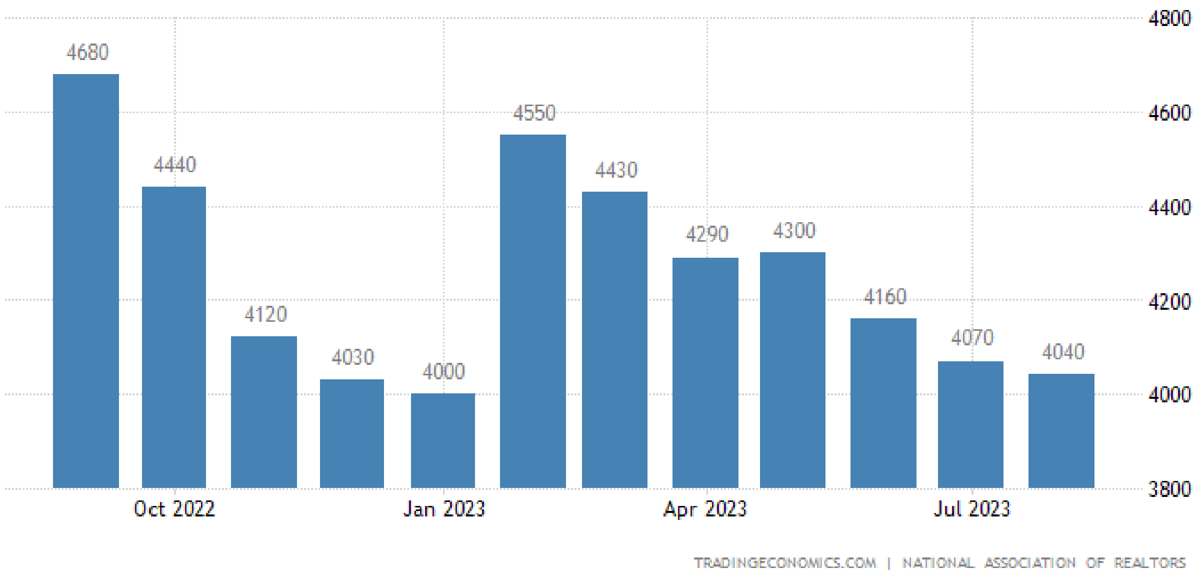


Mortgage Bankers Association

Wednesday, Weekly Mortgage Applications: “Mortgage applications increased 5.4 percent from one week earlier.” Joel Kan, MBA’s vice president and deputy chief economist, added: “Mortgage applications increased last week, despite the 30-year fixed mortgage rate edging back up to 7.31 percent—its highest level in four weeks. Purchase applications increased for conventional and FHA loans over the week but remained 26 percent lower than the same week a year ago, as homebuyers continue to face higher rates and limited for-sale inventory, which have made purchase conditions more challenging. Refinance applications also increased last week but are still almost 30 percent lower than the same week last year.”

National Association of Realtors

Thursday, Existing Home Sales: “Existing-home sales retreated 0.7 percent in August to a seasonally adjusted annual rate of 4.04 million. Sales dropped 15.3 percent from one year ago. . . . The median existing-home sales price climbed 3.9 percent from one year ago to $407,100—the third consecutive month the median sales price surpassed $400,000. The inventory of unsold existing homes dipped 0.9 percent from the prior month to 1.1 million at the end of August, or the equivalent of 3.3 months' supply at the current monthly sales pace.” Recent existing-home sales are shown below (in thousands).



Source: Trading Economics