

Economic Update, October 13, 2023

Submitted by Carly Van Syckle

Summary: Federal government indicators and reports this week show an increase in monthly wholesale trade, producer price indexes, consumer price indexes, and export prices. Real average hourly earnings decreased slightly from August to September. Other new data show that the Small Business Optimism Index, overall consumer expectations, and consumer sentiment have all fallen from previous measures. In the housing market, mortgage rates continued to climb as [“ongoing market and geopolitical uncertainty continues to increase.”](#)

Federal Government Indicators and Reports

U.S. Census Bureau

Tuesday, [Monthly Wholesale Trade](#): “August 2023 sales of merchant wholesalers . . . were \$662.3 billion, up 1.8 percent from the revised July level, but were down 1.7 percent from the revised August 2022 level. . . . Total inventories of merchant wholesalers . . . were \$900.2 billion at the end of August, down 0.1 percent from the revised July level. Total inventories were down 1.0 percent from the revised August 2022 level.”

Bureau of Labor Statistics

Wednesday, [Producer Price Indexes](#): “The Producer Price Index for final demand increased 0.5 percent in September, seasonally adjusted. . . . Final demand prices rose 0.7 percent in August and 0.6 percent in July. On an unadjusted basis, the index for final demand advanced 2.2 percent for the 12 months ended in September, the largest increase since moving up 2.3 percent for the 12 months ended in April.”

Thursday, [Real Earnings](#): “Real average hourly earnings for all employees decreased 0.2 percent from August to September, seasonally adjusted. . . . This result stems from an increase of 0.2 percent in average hourly earnings combined with an increase of 0.4 percent in the Consumer Price Index for All Urban Consumers.”

Thursday, [Consumer Price Index](#): “The Consumer Price index for All Urban Consumers rose 0.4 percent in September on a seasonally adjusted basis, after increasing 0.6 percent in August. . . . Over the last 12 months, the all items index increased 3.7 percent before seasonal adjustment. The index for shelter was the largest contributor to the monthly all items increase, accounting for over half of the increase.”

Friday, [Import and Export Prices](#): “Prices for U.S. imports ticked up 0.1 percent in September following a 0.6-percent advance the previous month. . . . Higher fuel prices drove the September increase. U.S. export prices rose 0.7 percent in September, after advancing 1.1 percent in August.”

Department of Labor

Thursday, [Weekly Claims](#): “In the week ending October 7, the advance figure for seasonally adjusted initial claims was 209,000, unchanged from the previous week’s revised level.” There were 2,310 initial claims in Tennessee for the week ending in October 7, an increase of 67 from the previous week.

Economic Indicators and Confidence

National Federation of Independent Business

Tuesday, [Small Business Optimism Index](#): “The Optimism Index decreased half a point in September to 90.8. This is the 21st consecutive month below the 49-year average of 98. The last time the Index was at or above the average was December 2021. Of the 10 index components, 5 increased, 4 decreased, and 1 was unchanged. Twenty-three percent of owners reported that inflation was their single most important problem in operating their business, unchanged from last month and tied with labor quality as the top concern.”

Federal Reserve Bank of New York

Tuesday, [Consumer Expectations](#): “Median inflation expectations increased by 0.1 and 0.2 percentage points at the one- and three-year-ahead horizons to 3.7 percent and 3.0 percent, respectively. In contrast, median inflation expectations decreased by 0.2 percentage point to 2.8 percent at the five-year-ahead horizon. . . . Median home price growth expectations decreased to 3.0 percent in September from 3.1 percent in August. . . . The median one-year ahead expected change in the cost of college education decreased sharply to 5.8 percent from 8.2 percent, its largest one-month decrease since the onset of the survey in 2013. . . . Mean unemployment expectations—or the mean probability that the U.S. unemployment rate will be higher one year from now—increased by 1.6 percentage points to 40.1 percent. . . . The mean perceived probability of losing one’s job in the next 12 months decreased by 1.4 percentage points to 12.4 percent. . . . Perceptions about households’ current financial situations deteriorated slightly in September with more respondents reporting being worse off than a year ago and fewer respondents reporting being better off.”

University of Michigan

Friday, [Consumer Sentiment](#): “Consumer sentiment fell back about 7 percent this October following two consecutive months of very little change. Assessments of personal finances declined about 15 percent, primarily on a substantial increase in concerns over inflation, and one-year expected business conditions plunged about 19 percent. . . . Year-ahead inflation expectations rose from 3.2 percent last month to 3.8 percent this month. The current reading is the highest since May 2023 and remains well above the 2.3-3.0 percent range seen in the two years prior to the pandemic.”

Mortgage and Housing Market

Mortgage Bankers Association

Tuesday, [Mortgage Credit Availability](#): “Mortgage credit availability increased in September according to the Mortgage Credit Availability Index (MCAI). . . . The MCAI rose by 0.6 percent to 97.2 in September.” According to Joel Kan, MBA’s Vice President and Deputy Chief Economist, “Credit availability increased slightly in September, as lenders increased their loan offerings marginally to meet the changing needs of borrowers who are facing higher mortgage rates.”

Wednesday, [Mortgage Applications](#): “The Market Composite Index, a measure of mortgage loan application volume, increased 0.6 percent on a seasonally adjusted basis from one week earlier. . . . The Refinance Index increased 0.3 percent from the previous week and was 9 percent lower than the same week one year ago.”

Freddie Mac

Thursday, [Mortgage Rates](#): According to Sam Khater, Freddie Mac’s Chief Economist, “For the fifth consecutive week, mortgage rates rose as ongoing market and geopolitical uncertainty continues to increase. . . . The good news is that the economy and incomes continue to grow at a solid pace, but the housing market remains fraught with significant affordability constraints. As a result, purchase demand remains at a three-decade low.” According to Freddie Mac’s survey, the average rate for a 30-year fixed rate mortgage was 7.57 percent as of October 12, 2023, up from 7.49 percent last week. The average 15-year fixed-rate mortgage was 6.89 percent, up from 6.78 percent last week.