

## Economic Update, November 3, 2023

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Summary: Federal government indicators and reports this week show positive trends in the employment sector with nonfarm business sector labor productivity and output increasing. While initial claims rose slightly the past week, nonfarm payroll enrollment increased by 150,000 in October. The much-anticipated Federal Reserve interest rate decision did not result in any change, leaving the rates at 5.25 to 5.5 percent. Other new data from the Conference Board show decreases in the Consumer Confidence Index, the Present Situation Index, and the Expectations Index. In the housing market, mortgage applications decreased even as 30-year fixed-rate mortgage rates decreased slightly from the previous week.

### **Federal Government Indicators and Reports**

Bureau of Labor Statistics

Tuesday, [Employment Cost Index](#): “Compensation costs for civilian workers increased 1.1 percent, seasonally adjusted, for the 3-month period ending in September 2023. . . . Wages and salaries increased 1.2 percent and benefit costs increased 0.9 percent from June 2023.”

Wednesday, [Job Openings](#): “The number of job openings changed little at 9.6 million on the last business day of September. . . . Over the month, the number of hires and total separations changed little at 5.9 million and 5.5 million, respectively.”

Thursday, [Productivity and Costs](#): “Nonfarm business sector labor productivity increased 4.7 percent in the third quarter of 2023. . . . as output increased 5.9 percent and hours worked increased 1.1 percent. The increase in labor productivity is the highest rate since the third quarter of 2020, in which productivity increased 5.7 percent.”

Friday, [Employment Situation](#): “Total nonfarm payroll employment increased by 150,000 in October, and the unemployment rate changed little at 3.9 percent. . . . Job gains occurred in health care, government, and social assistance. Employment declined in manufacturing due to strike activity.”

U.S. Census Bureau

Wednesday, [Construction Spending](#): “Construction spending during September 2023 was estimated at a seasonally adjusted annual rate of \$1,996.5 billion, 0.4 percent above the revised August estimate of \$1,988.3 billion. The September figure is 8.7 percent above the September 2022 estimate of \$1,836.9 billion.”

ADP

Wednesday, [Employment Change](#): “Private sector employment increased by 113,000 jobs in October and annual pay was up 5.7 percent year-over-year. . . . Leisure and hospitality hiring led the post-pandemic job recovery. But the industry ceded its place as the top job creator last month to education and health care. . . . Job-stayers reported a 5.7 percent year-over-year pay increase in October, the slowest pace of growth since October 2021. Pay growth for job-changers was 8.4 percent, the smallest increase since July 2021.”

Department of Labor

Thursday, [Initial Claims](#): “In the week ending October 28, the advance figure for seasonally adjusted initial claims was 217,000, an increase of 5,000 from the previous week’s revised level.” There were 2,177 initial claims in Tennessee for the week ending October 28, a decrease of 239 from the previous week.

### **Economic Indicators and Confidence**

The Conference Board

Tuesday, [Consumer Confidence](#): “The Conference Board Consumer Confidence Index declined moderately in October to 102.6, down from an upwardly revised 104.3 in September. The Present Situation Index—based on consumers’ assessment of current business and labor market conditions—declined to 143.1 from 146.2. The Expectations Index—based on consumers’ short-term outlook for income, business, and labor market conditions—fell slightly to 75.6 in October, after declining to 76.4 in September. The Expectations index is still below 80—the level that historically signals a recession within the next year.”

S&P Global

Wednesday, [Global Manufacturing Index](#): “Operating conditions faced by U.S. manufacturing firms stabilized during October, thereby ending a five-month sequence of decline. . . . A back-to-back expansion in output and a renewed rise in new orders supported the move away from declining sectoral health. That said, demand conditions were historically muted overall, with firms downwardly adjusting their output expectations for the year ahead and cutting employment for the first time since July 2020. . . . The seasonally adjusted S&P Global U.S. Manufacturing Purchasing Managers’ Index (PMI) posted at the neutral level of 50.0 in October.”

The Federal Reserve

Wednesday, [Interest Rates](#): The Federal Reserve left interest rates unchanged on Wednesday. According to their press release, “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.”

## Mortgage and Housing Market

U.S. Census Bureau

Tuesday, [Residential Vacancies and Homeownership](#): “National vacancy rates in the third quarter 2023 were 6.6 percent for rental housing and 0.8 percent for homeowner housing. The rental vacancy rate was higher than the rate in the third quarter 2022 (6.0 percent) and higher than the rate in the second quarter of 2023 (6.3 percent). . . . The homeownership rate of 66.0 percent was virtually the same as the rate in the third quarter 2022.”

S&P Global

Tuesday, [S&P CoreLogic Case-Shiller Index](#): August 2023 data from the S&P CoreLogic Case-Shiller Indices, the leading measure of U.S. home prices, “show that 13 of the 20 major metro markets reported month-over-month price increases. . . . The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, reported a 2.6 percent annual change in August, up from a 1.0 percent change in the previous month. The 10-City Composite showed an increase of 3.0 percent, up from a 1.0 percent increase in the previous month. The 20-City Composite posted a year-over-year increase of 2.2 percent, a slight increase of 0.2 percent in the previous month.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “The Market Composite Index, a measure of mortgage loan application volume, decreased 2.1 percent on a seasonally adjusted basis from one week earlier. . . . The Refinance Index decreased 4 percent from the previous week and was 12 percent lower than the same week one year ago. The seasonally adjusted Purchase Index decreased 1 percent from one week earlier.”

Freddie Mac

Thursday, [Mortgage Rates](#): “30-year fixed-rate mortgage averaged 7.76 percent as of November 2, 2023, down from last week when it averaged 7.79 percent. A year ago at this time, the 30-year FRM averaged 6.95 percent. . . . 15-year fixed-rate mortgage averaged 7.03 percent, unchanged from last week. A year ago at this time, the 15-year FRM averaged 6.29 percent.” In reference to the Federal Reserve’s decision not to raise interest rates at the moment, Sam Khater, Freddie Mac’s chief economist said: “Coupled with geopolitical uncertainty, this ambiguity around monetary policy will likely have an impact on the overall economic landscape and may continue to stall improvements in the housing market.”