

## Economic Update, May 31, 2024

Submitted by Bob Moreo

Summary: How consumers felt about the economy in May seems to depend on the survey to which they were responding. The Conference Board's Consumer Confidence Index rose "unexpectedly," [according to Yahoo! Finance](#), "ending three straight months of declines as Americans cheered a resilient labor market." Nowhere is that more evident than in Nashville, with the region posting the lowest unemployment rate among major metropolitan areas in April at 2.2 percent. On the other hand, the University of Michigan's Survey of Consumers showed a 10 percent drop in consumer sentiment. According to survey director Joanne Hsu, "Consumers expressed particular concern over labor markets." Gallup's Economic Confidence Index also declined for a second consecutive month.

Other reports this week showed the economy "[grew more slowly in the first quarter than previously estimated](#)," and that inflation "[rose about as expected in April](#)." According to Reuters, the Federal Reserve "[is more likely to deliver a long-awaited rate cut in September](#)," as "traders priced in about a 53 percent chance of a rate cut" after this week's data on inflation. Mortgage rates rose above 7 percent again as "[national home prices have reached their ninth all-time high within the past year](#)."

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

Bureau of Economic Analysis

Thursday, [Gross Domestic Profit and Corporate Profits](#): "Real gross domestic product (GDP) increased at an annual rate of 1.3 percent in the first quarter of 2024, according to the 'second' estimate released by the Bureau of Economic Analysis. In the fourth quarter of 2023, real GDP increased 3.4 percent. . . . The increase in real GDP primarily reflected increases in consumer spending, residential fixed investment, nonresidential fixed investment, and state and local government spending that were partly offset by a decrease in private inventory investment. . . . The personal consumption expenditures (PCE) price index increased 3.3 percent, a downward revision of 0.1 percentage point. . . . Profits of domestic financial corporations increased \$73.7 billion in the first quarter, compared with an increase of \$5.9 billion in the fourth quarter. Profits of domestic nonfinancial corporations decreased \$114.1 billion, in contrast to an increase of \$136.5 billion."

Friday, [Personal Income and Outlays](#): "Personal income increased \$65.3 billion (0.3 percent at a monthly rate) in April. . . . The PCE price index increased 0.3 percent. Excluding food and energy, the PCE price index increased 0.2 percent. . . . From the same month one year ago, the PCE price index for April increased 2.7 percent. Prices for goods increased 0.1 percent and prices for services increased 3.9 percent."

Bureau of Labor Statistics

Wednesday, [Metropolitan Area Employment and Unemployment](#): "Unemployment rates were higher in April than a year earlier in 305 of the 389 metropolitan areas, lower in 56 areas, and unchanged in 28 areas. . . . Nonfarm payroll employment increased over the year in 49 metropolitan areas, decreased in 2 areas, and was essentially unchanged in 338 areas. The national unemployment rate in April was 3.5 percent, not seasonally adjusted, up from 3.1 percent a year earlier. . . . Of the 51 metropolitan areas with a 2010 Census population of 1 million or more, Nashville-Davidson—Murfreesboro—Franklin, TN, had the lowest jobless rate in April, 2.2 percent."

### Over-the-Year Change in Unemployment Rates for Metropolitan Areas, Not Seasonally Adjusted

Metropolitan Area	April 2023	April 2024(p)	Change Y-Y
Nashville-Davidson--Murfreesboro--Franklin, TN Metropolitan Statistical Area	2.2	2.2	0.0
Chattanooga, TN-GA Metropolitan Statistical Area	2.6	2.5	-0.1
Knoxville, TN Metropolitan Statistical Area	2.4	2.5	0.1
Johnson City, TN Metropolitan Statistical Area	2.8	2.7	-0.1
Jackson, TN Metropolitan Statistical Area	2.7	2.7	0.0
Cleveland, TN Metropolitan Statistical Area	3.0	2.8	-0.2
Kingsport-Bristol-Bristol, TN-VA Metropolitan Statistical Area	2.8	2.8	0.0
Morristown, TN Metropolitan Statistical Area	2.8	2.8	0.0
Memphis, TN-MS-AR Metropolitan Statistical Area	3.3	3.3	0.0
Clarksville, TN-KY Metropolitan Statistical Area	3.4	3.5	0.1

#### Census Bureau

Thursday, [Advance Economic Indicators](#): “The international trade deficit was \$99.4 billion in April, up \$7.1 billion from \$92.3 billion in March. Exports of goods for April were \$169.9 billion, \$0.9 billion more than March exports. Imports of goods for April were \$269.3 billion, \$8.0 billion more than March imports. . . . Wholesale inventories for April . . . [were] up 0.2 percent from March 2024, and were down 1.6 percent from April 2023.”

#### Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending May 25, the advance figure for seasonally adjusted initial claims was 219,000, an increase of 3,000 from the previous week's revised level. . . . The 4-week moving average was 222,500, an increase of 2,500 from the previous week's revised average.”

#### Federal Reserve Board

Wednesday, [Beige Book](#): “The economy of the Sixth District [which includes Middle and East Tennessee] grew slowly since the previous report. Labor market tightness eased, and wage growth slowed somewhat. Cost growth continued to moderate, but most nonlabor costs remained elevated. . . . Retailers reported consumer demand was generally healthy, but most expect year-over-year sales growth to be flat.”

“Economic activity across the Eighth District [which includes West Tennessee] continued to increase slightly since our previous report. Employment was unchanged and wages increased slightly. Inflation pressures increased moderately due to higher input costs. Consumer spending was unchanged, with signs of weakness at higher price points. Real estate activity cooled slightly.”

## **Economic Surveys and Confidence:**

The Conference Board

Tuesday, [Consumer Confidence Survey](#): Consumer confidence “rose in May to 102.0 from 97.5 in April (a slight upward revision). The Present Situation Index—based on consumers’ assessment of current business and labor market conditions—increased to 143.1 in May from 140.6 in April. . . . Meanwhile, the Expectations Index—based on consumers’ short-term outlook for income, business, and labor market conditions—rose to 74.6 from 68.8 last month. Despite this improvement, for the fourth consecutive month, the Expectations Index was below 80, the threshold which usually signals a recession ahead.”

Federal Reserve Bank of Atlanta

Wednesday, [Survey of Business Uncertainty](#): Respondents in May reported “Nominal sales growth has slowed considerably over the past two years. Recent employment growth is in line with pre-pandemic growth.” They also report that “sales revenue growth expectations have returned to their pre-pandemic average. However, firms remain more uncertain about future revenue growth than they were before the pandemic.”

Gallup

Friday, [Economic Confidence Index](#): The index “registered -34 in May, reflecting further deterioration in how Americans assess the economy’s current state as well as its trajectory. . . . The index had improved significantly from -40 in November to -20 in March, before falling to -29 in April. . . . Twenty-two percent of Americans describe current U.S. economic conditions as “excellent” or “good,” down slightly from the prior month, marking the lowest figure recorded since December’s 22 percent. . . . The May 2024 survey finds that seven in 10 Americans (70 percent) say the economy is ‘getting worse,’ while 26 percent say it is ‘getting better.’”

University of Michigan

Friday, [Index of Consumer Sentiment](#): “Consumer sentiment fell back about 10 percent this May following three consecutive months of very little change. This 8.1 index-point decrease is statistically significant and brings sentiment to its lowest reading in about five months. The year-ahead outlook for business conditions saw a particularly notable decline, while views about personal finances were little changed.”

## **Final Results for May 2024**

	May 2024	Apr 2024	May 2023	M-M Change	Y-Y Change
Index of Consumer Sentiment	69.1	77.2	59.0	-10.5%	+17.1%
Current Economic Conditions	69.6	79.0	65.1	-11.9%	+6.9%
Index of Consumer Expectations	68.8	76.0	55.1	-9.5%	+24.9%

## **Mortgages and Housing Markets:**

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “The 30-year FRM averaged 7.03 percent as of May 30, 2024, up from last week when it averaged 6.94 percent. A year ago at this time, the 30-year FRM averaged 6.79 percent.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications decreased 5.7 percent from one week earlier, according to data from the Mortgage Bankers Association’s (MBA) Weekly Mortgage Applications Survey for the week ending May 24, 2024. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$766,550 or less) increased to 7.05 percent from 7.01 percent.” MBA’s vice president and deputy chief economist, Joel Kan, noted that this was the first time mortgage rates had increased in four weeks.

National Association of Realtors

Thursday, [Pending Home Sales Index](#): “Pending home sales in April fell 7.7 percent. . . . [The index] decreased to 72.3 in April. Year over year, pending transactions were down 7.4 percent.”

S&P CoreLogic

Tuesday, [Case-Shiller National Home Price Index](#): “The leading measure of U.S. home prices shows that all of the major metro markets reported month-over-month price increases.” The national index “reported a 6.5 percent annual gain for March, the same increase as the previous month.”