Economic Update, September 4, 2026

Submitted by Hannah Newcomb

Summary:

The goods and services deficit widened by 24 percent in July as exports decreased and imports increased. Construction spending declined compared with both the previous month and year, but manufacturing showed an increase in new orders and shipments. Labor market indicators were steady, with job openings, hires, and separations changing little and metropolitan unemployment rates mostly lower than a year earlier. Productivity grew in the second quarter alongside moderate increases in unit labor costs. The Bureau of Labor Statistics' employment report beat expectations, but data from ADP show that private-sector hiring slowed, as solid hiring in education, health care, construction, and leisure and hospitality were partially offset by losses in the manufacturing, professional services, and information sectors. Wage trends remain influenced by demographic shifts, inflation, and AI. In housing, mortgage applications rose modestly as concerns about inflation and deficits pushed both the 30- and 15-year rates higher.

Federal Government Indicators and Reports:

Bureau of Economic Analysis

Thursday, International Trade in Goods and Services: "The goods and services deficit was $88.6 billion in July, up $17.4 billion from $71.2 billion in June, revised. . . . July exports were $310.7 billion, $6.6 billion less than June exports. July imports were $399.3 billion, $10.8 billion more than June imports."

U.S. International Trade in Goods and Services Deficit

Deficit:	$88.6 Billion	+24.4%°
Exports:	$310.7 Billion	−2.1%°
Imports:	$399.3 Billion	+2.8%°

Next release: **Tuesday, October 6, 2026**

(°) Statistical significance is not applicable or not measurable. Data adjusted for seasonality but not price changes

Source: U.S. Census Bureau, U.S. Bureau of Economic Analysis; U.S. International Trade in Goods and Services, September 3, 2026

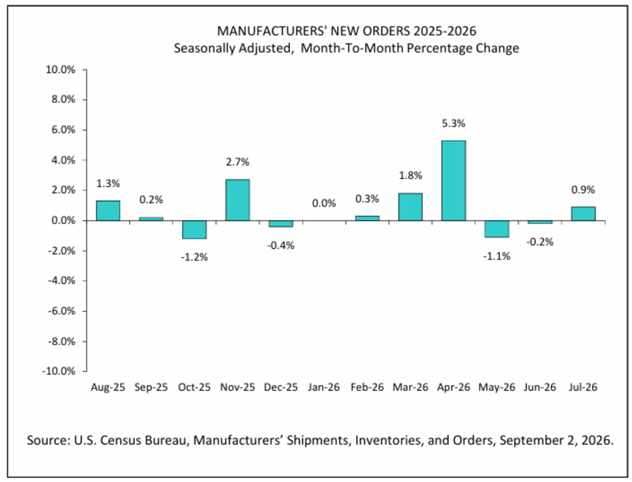
U.S. Department of Labor

Thursday, Unemployment Weekly Insurance Claims: "In the week ending August 29, the advance figure for seasonally adjusted initial claims was 206,000, an increase of 2,000 from the previous week's revised level." In Tennessee, there were 2,322 initial claims for the week ending August 29, a decrease of 62 from the week prior.

U.S. Census Bureau

Tuesday, Construction Spending: “Construction spending during July 2026 was estimated at a seasonally adjusted annual rate of $2,157.6 billion, 0.5 percent below the revised June estimate of $2,167.7 billion. The July figure is 3.8 percent below the July 2025 estimate of $2,242.6 billion.”

Wednesday, Manufacturers’ Shipments, Inventories and Orders: After two consecutive months of decreases, new orders for manufactured goods increased in July by $5.8 billion to $663.6 billion. Shipments also increased $5.3 billion to $658.8 billion, and the unfilled orders-to-shipments ratio was 6.81, down from 6.84 in June.



U.S. Bureau of Labor Statistics

Tuesday, Job Openings and Turnover: “The number of job openings was little changed at 7.3 million in July. . . . Hires and total separations both changed little at 5.1 million. Within separations, quits (3.1 million) and layoffs and discharges (1.7 million) were little changed.”

Wednesday, Metropolitan Employment: “Unemployment rates were lower in July than a year earlier in 241 of the 387 metropolitan areas, higher in 128 areas, and unchanged in 18 areas. . . . A total of 22 areas had jobless rates of less than 3.0 percent, and 7 areas had rates of at least 8.0 percent.”

Thursday, Productivity and Costs: “Nonfarm business sector labor productivity increased 1.4 percent in the second quarter of 2026 . . . as output increased 1.7 percent and hours worked increased 0.3 percent. . . . Unit labor costs in the nonfarm business sector increased 1.2 percent in the second quarter of 2026, reflecting a 2.6-percent increase in hourly compensation and a 1.4-percent increase in productivity.”

Chart 1. Labor productivity, nonfarm business, 2022Q1 – 2026Q2

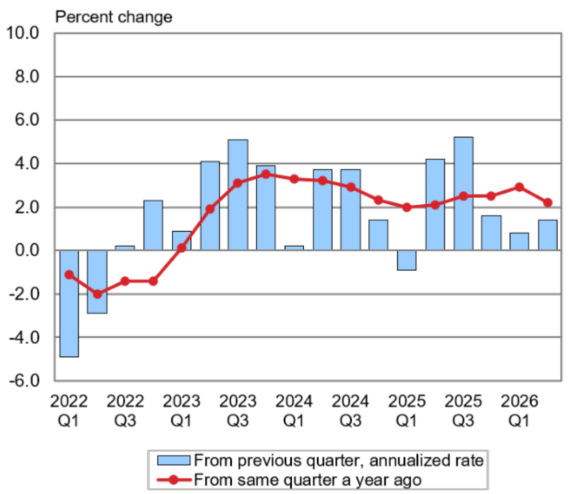
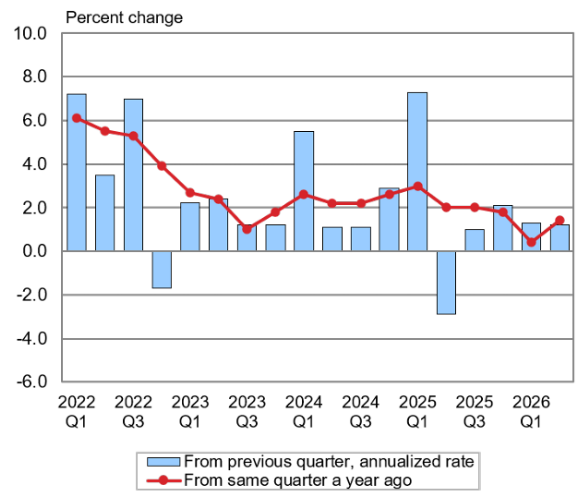


Chart 2. Unit labor costs, nonfarm business, 2022Q1 – 2026Q2



Friday, Employment Report: "Total nonfarm payroll employment increased by 162,000 in August, and the unemployment rate was unchanged at 4.1 percent. . . . Employment increased in food services and drinking places and in local government education. The information industry lost jobs. . . . The labor force participation rate edged up to 61.6 percent in August but is down by 0.5 percentage point since January."

Economic Indicators and Confidence:

ADP Research

Wednesday, National Employment Report: "Private employers posted their slowest pace of job creation since January. Manufacturing, professional services, and information shed jobs. Education and health care, construction, and leisure and hospitality all showed solid hiring." According to Dr. Nela Richardson, ADP's chief economist, "Once-predictable wage growth has been overtaken by the complexities of demographic change, persistent inflation, and AI's effects on jobs."

Mortgages and Housing Markets:

Mortgage Bankers Association

Wednesday, Mortgage Applications: "Mortgage applications increased 0.8 percent from one week earlier, according to data from the Mortgage Bankers Association's Weekly Mortgage Applications Survey for the week ending August 28, 2026.. . . . 'Mortgage rates reached their highest levels in four weeks as investors' concerns about inflation and growing deficits push yields higher across the globe,' said Mike Fratantoni, MBA's SVP and chief economist."

Freddie Mac

Thursday, Mortgage Rates: "The 30-year fixed-rate mortgage averaged 6.71 percent this week. . . . up from last week when it averaged 6.66 percent. The 15-year fixed-rate mortgage averaged 6.04 percent, up from last week when it averaged 5.98 percent."