

## Economic Update, July 28, 2023

Submitted by Bob Moreo

Summary: As was expected, the Federal Open Market Committee raised its funds rate by a quarter percentage point to a target range of 5.25 to 5.5 percent, taking “benchmark borrowing costs to their highest level in more than 22 years,” [CNBC’s Jeff Cox reported on Wednesday](#). Federal Reserve Chair Jerome Powell said on Wednesday [the central bank’s staff no longer forecasts a U.S. recession](#), and that “we do have a shot” for inflation to return to target without high levels of job losses. “Despite rising interest rates, consumers are more upbeat,” according to the latest [consumer confidence survey from The Conference Board](#), with the Board’s chief economist adding: “Expectations for the next six months improved materially, reflecting greater confidence about future business conditions and job availability.” Investors were more confident in July as well, according to [State Street Global Markets](#), with North American investor sentiment “rising to its highest level in nine months.”

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

Bureau of Economic Analysis

Thursday, [Gross Domestic Product](#): “Real gross domestic product (GDP) increased at an annual rate of 2.4 percent in the second quarter of 2023, according to the advance estimate released by the Bureau of Economic Analysis. In the first quarter, real GDP increased 2.0 percent. . . . The increase in real GDP reflected increases in consumer spending, nonresidential fixed investment, state and local government spending, private inventory investment, and federal government spending that were partly offset by decreases in exports and residential fixed investment.”

Friday, [Personal Income and Outlays](#): “Personal income increased \$69.5 billion (0.3 percent at a monthly rate) in June. . . . Personal consumption expenditures (PCE) increased \$100.4 billion (0.5 percent). . . . The PCE price index increased 0.2 percent. . . . From the same month one year ago, the PCE price index for June increased 3.0 percent. Prices for goods decreased 0.6 percent and prices for services increased 4.9 percent. Food prices increased 4.6 percent and energy prices decreased 18.9 percent.”

Bureau of Labor Statistics

Wednesday, [State Job Openings and Labor Turnover](#): “Job openings rates decreased in 12 states on the last business day of May. . . . Hires rates increased in 5 states and decreased in 2 states. Total separations rates increased in 9 states and decreased in 7 states. Nationally, the job openings rate decreased while hires and total separations rates changed little in May.”

In Tennessee, the job openings rate decreased by 0.4 in May. The seasonally adjusted nonfarm job openings level decreased from 252,000 in April to 239,000 in May. Hires increased slightly, as did total separations.

Wednesday, [Business Employment Dynamics](#): “From September 2022 to December 2022, gross job gains from opening and expanding private-sector establishments were 8.0 million, a decrease of 769,000 jobs from the previous quarter. . . . Over this period, gross job losses from closing and contracting private-sector establishments were 7.6 million, an increase of 133,000 jobs from the previous quarter. The difference . . . yielded a net employment gain of 400,000 jobs in the private sector during the fourth quarter of 2022.”

**Private-sector gross job gains and losses in Tennessee, seasonally adjusted**

3 months ending:	Dec. 2021	Mar. 2022	Jun. 2022	Sep. 2022	Dec. 2022
Gross job gains .....	193,621	175,955	171,823	192,682	160,168
Gross job losses .....	146,914	127,316	173,111	149,353	155,756
Net gain/(loss) .....	46,707	48,639	(1,288)	43,329	4,412

Source: Quarterly Data Series on Business Employment Dynamics, Fourth Quarter 2022 ([Table 6](#)).

Friday, [Employment Cost Index](#): Compensation costs for civilian workers increased 1.0 percent, seasonally adjusted, for the 3-month period ending in June 2023. . . . Wages and salaries increased 1.0 percent and benefit costs increased 0.9 percent from March 2023. . . . Compensation costs for civilian workers increased 4.5 percent for the 12-month period ending in June 2023.”

Census Bureau

Wednesday, [New Residential Sales](#): “Sales of new single-family houses in June 2023 were at a seasonally adjusted annual rate of 697,000. . . . This is 2.5 percent below the revised May rate of 715,000, but is 23.8 percent above the June 2022 estimate of 563,000. . . . The median sales price of new houses sold in June 2023 was \$415,400.”

Thursday, [Advance Report on Durable Goods](#): “New orders for manufactured durable goods in June, up four consecutive months, increased \$13.6 billion or 4.7 percent to \$302.5 billion. . . . This followed a 2.0 percent May increase.”

Thursday, [Advance Economic Indicators](#): “The international trade deficit was \$87.8 billion in June, down \$4.0 billion from \$91.9 billion in May. . . . Wholesale inventories for June . . . were estimated at an end-of-month level of \$908.0 billion, down 0.3 percent from May 2023, and were up 1.7 percent from June 2022. . . . Retail inventories . . . were estimated at an end-of-month level of \$783.9 billion, up 0.7 percent from May 2023, and were up 5.4 percent from June 2022.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending July 22, the advance figure for seasonally adjusted initial claims was 221,000, a decrease of 7,000 from the previous week’s unrevised level of 228,000. The 4-week moving average was 233,750, a decrease of 3,750 from the previous week’s unrevised average of 237,500.”

**Advance State Claims - Not Seasonally Adjusted**

STATE	Initial Claims Filed During Week Ended July 22			Insured Unemployment For Week Ended July 15		
	Advance	Prior Wk	Change	Advance	Prior Wk	Change
Tennessee	2,399	3,074	-675	17,427	17,475	-48

Federal Reserve Board

Wednesday, [Federal Open Market Committee Statement](#): “Recent indicators suggest that economic activity has been expanding at a moderate pace. Job gains have been robust in recent months, 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 raise the target range for the federal funds rate to 5-1/4 to 5-1/2 percent.”

## **Economic Confidence:**

The Conference Board

Tuesday, [Consumer Confidence Survey](#): “The Conference Board Consumer Confidence Index rose again in July to 117.0, up from 110.1 in June.” This is the index’s “highest level since July 2021,” said Dana Peterson, chief economist at The Conference Board, “reflecting pops in both current conditions and expectations.”

State Street

Wednesday, [Investor Confidence](#): “The Global Investor Confidence Index increased to 96.2, up just 0.8 points from June’s revised reading of 95.4. The increase in Investor confidence was led by a 1.3 point rise in North American ICI to 90.8 as well as a 0.7 point rise in Asian ICI to 97.3. European ICI, meanwhile, dropped 5.4 points to 99.5.”

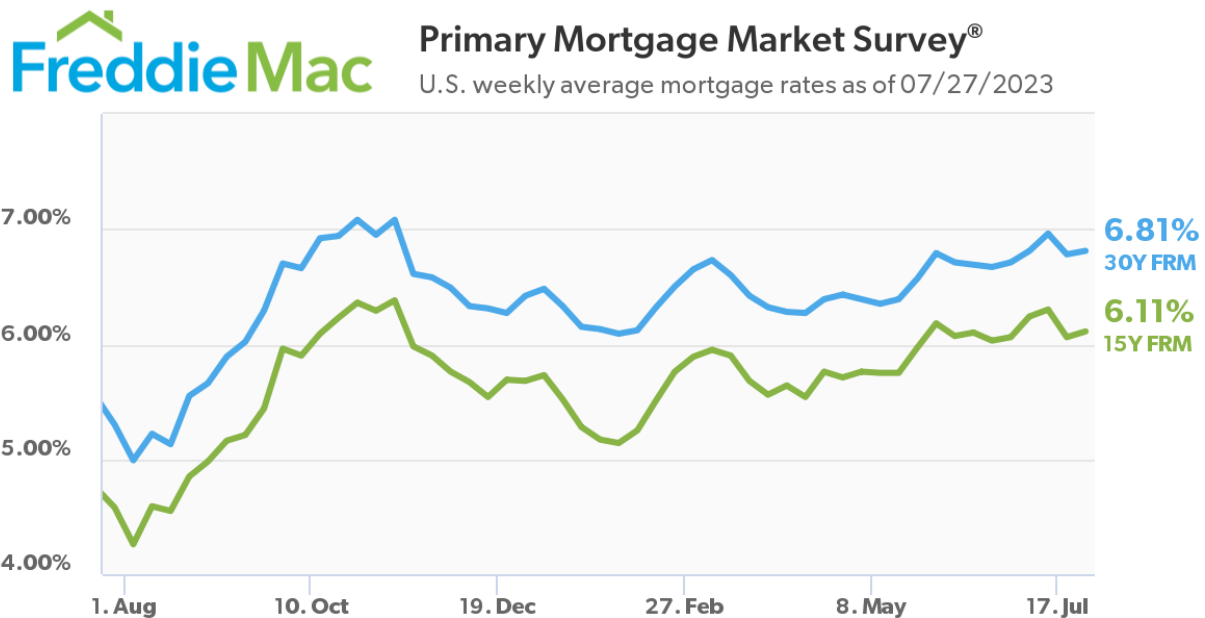
University of Michigan

Friday, [Index of Consumer Sentiment](#): “Consumer sentiment rose for the second straight month, soaring 11 percent above June and reaching its most favorable reading since October 2021. All components of the index improved considerably, led by a 18 percent surge in long-term business conditions and 14 percent increase in short-run business conditions.”

## **Mortgages and Housing Markets:**

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “[The] 30-year fixed-rate mortgage averaged 6.81 percent as of July 27, 2023, up from last week when it averaged 6.78 percent. A year ago at this time, the 30-year FRM averaged 5.30 percent.”



#### Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications decreased 1.8 percent from one week earlier, according to data from . . . the week ending July 21, 2023. . . . ‘Mortgage rates were essentially flat last week but remained high, with the 30-year fixed rate staying at 6.87 percent and contributing to a pullback in mortgage applications,’” according to Joel Kan, MBA’s vice president.

#### National Association of Realtors

Thursday, [Pending Home Sales Index](#): “Pending home sales registered a modest increase of 0.3 percent in June from the previous month—the first increase since February. . . . ‘The recovery has not taken place, but the housing recession is over,’ said NAR Chief Economist Lawrence Yun. . . . ‘Homebuilders are ramping up production and hiring workers.’”

#### S&P CoreLogic

Tuesday, [Case-Shiller National Home Price Index](#): “Data released today for May 2023 show all 20 major metro markets reported month-over-month price increases for the third straight month. . . . The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, reported a -0.5 percent annual decrease in May, down from a loss of -0.1 percent in the previous month.”