

Economic Update, July 12, 2019
Submitted by Michael Mount

Summary: It looks increasingly likely that the Federal Reserve will cut interest rates at its July 30-31 meeting. Although the labor market remains strong and inflation is near the 2 percent target rate, the Federal Reserve Bank of New York's recession probability for June 2020 is 32.9 percent (see chart below). Real earnings increased 0.2 percent in June after increasing 0.3 percent in May.

US Census

Wednesday, [Wholesale Trade](#): "May 2019 sales of merchant wholesalers, except manufacturers' sales branches and offices . . . were \$503.4 billion, up 0.1 percent. . . . Total inventories of merchant wholesalers, except manufacturers' sales branches and offices . . . were \$678.1 billion at the end of May, up 0.4 percent."

Bureau of Labor Statistics

Tuesday, [Job Openings and Labor Turnover](#): "The number of job openings was little changed at 7.3 million on the last business day of May. . . . Over the month, hires fell to 5.7 million and separations edged down to 5.5 million."

Thursday, [Real Earnings](#): "Real average hourly earnings for all employees increased 0.2 percent from May to June, seasonally adjusted. . . . This result stems from a 0.2-percent increase in average hourly earnings combined with a 0.1-percent increase in the Consumer Price Index for All Urban Consumers (CPI-U)."

Thursday, [Consumer Price Index](#): "The all items index increased 1.6 percent for the 12 months ending June, a smaller increase than the 1.8-percent rise for the period ending May. The index for all items less food and energy rose 2.1 percent over the last 12 months."

Friday, [Producer Price Index](#): "The Producer Price Index for final demand advanced 0.1 percent in June. . . . For the 12 months ended in June, prices for final demand less foods, energy, and trade services climbed 2.1 percent."

Department of Labor

Thursday, [Initial Claims](#): "In the week ending July 6, the advance figure for seasonally adjusted initial claims was 209,000, a decrease of 13,000 from the previous week's revised level."

National Federation of Independent Businesses

Tuesday, [Small Business Optimism](#): "America's small business owners' optimism took a modest downturn in June . . . slipping 1.7 points to 103.3. . . . 'Last month, small business owners curbed spending, sales expectations and profits both fell, and the outlook for expansion dampened. When you add difficulty finding qualified workers and harmful state level laws and regulations, you're left with a volatile mix where uncertainty has increased to levels not seen in more than two years,' said NFIB President and CEO Juanita D. Duggan."

Federal Reserve

Monday, [Consumer Credit](#): "In May, consumer credit increased at a seasonally adjusted annual rate of 5 percent. Revolving credit increased at an annual rate of 8-1/4 percent, while non-revolving credit increased at an annual rate of 4 percent."

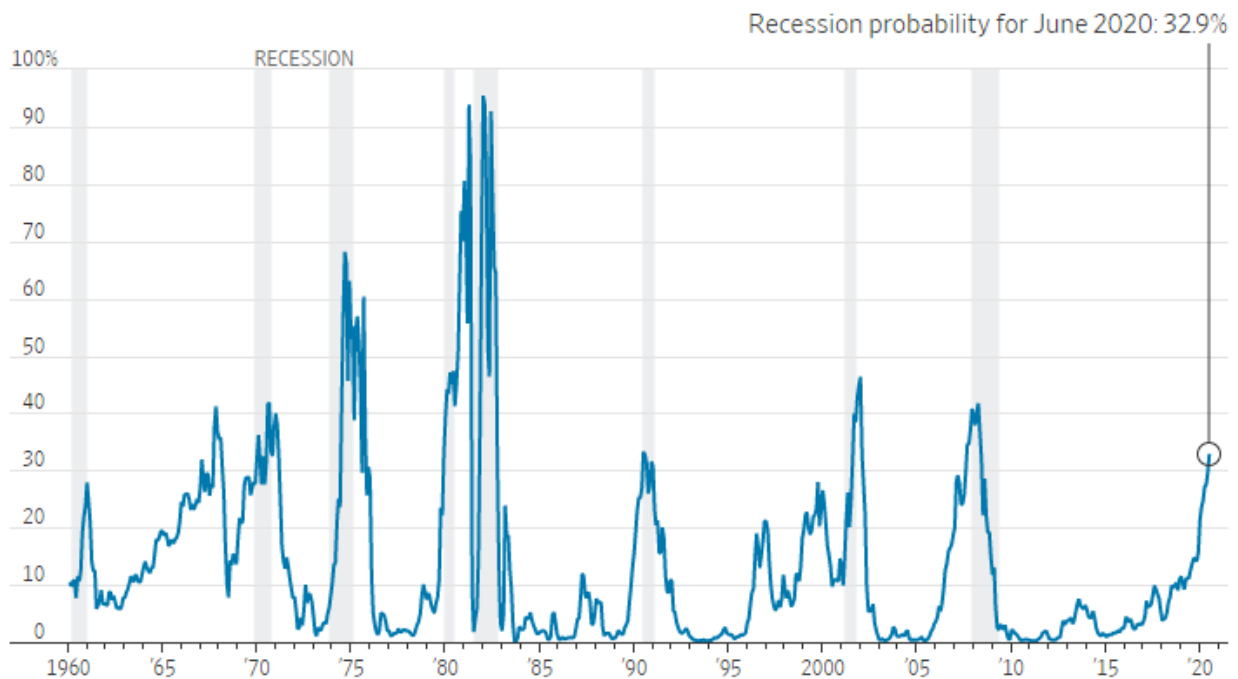
Wednesday, [FOMC Minutes](#): "The information available for the June 18-19 meeting indicated that labor market conditions remained strong. Real gross domestic product (GDP) appeared to be rising

at a moderate rate in the second quarter, as household spending growth picked up from the weak first quarter while business fixed investment was soft. Consumer price inflation, as measured by the 12-month percentage change in the price index for personal consumption expenditures (PCE), was below 2 percent in April. . . . The market-implied probability for a 25 basis point cut in the target range for the federal funds rate by the July FOMC meeting rose to about 85 percent.”

Thursday, [Lael Brainard Speech](#): “Recent data suggest the economy is growing solidly. Consumer spending is robust, buoyed by the strong labor market and continued strong confidence. . . . By contrast, capital spending by businesses has been lackluster, and indicators of business sentiment have been soft.”

So You’re Saying There’s a Chance

The New York Fed uses the difference between 10-year and 3-month Treasury rates to calculate the probability of a recession in the United States twelve months ahead.



Source: Federal Reserve Bank of New York

Mortgage Bankers Association

Thursday, [Mortgage Applications](#): “Mortgage applications decreased 2.4 percent from one week earlier. . . . The average contract interest rate for 30-year, fixed-rate mortgages with conforming loan balances (\$484,350 or less) decreased to 4.04 percent from 4.07 percent. . . . The average contract interest rate for 15-year, fixed-rate mortgages remained unchanged at 3.42 percent.”