

## Economic Update, July 12, 2024

Submitted by Bob Moreo

Summary: Federal Reserve Chair Jerome Powell presented the central bank’s semiannual monetary policy report to Congress this week. [Powell told lawmakers](#) that labor market conditions “have returned to about where they stood on the eve of the pandemic: strong, but not overheated.” He said that “recent inflation readings . . . have shown some modest further progress.” Thursday’s inflation report backed Powell’s position. “The monthly inflation rate dipped in June for the first time in more than four years,” [CNBC reported](#), as consumer prices “declined 0.1 percent from May, putting the 12-month rate at 3 percent, around its lowest level in more than three years.” Optimism among small business owners rose to a six-month high in June, and confidence among U.S. companies overall was at a two-year high.

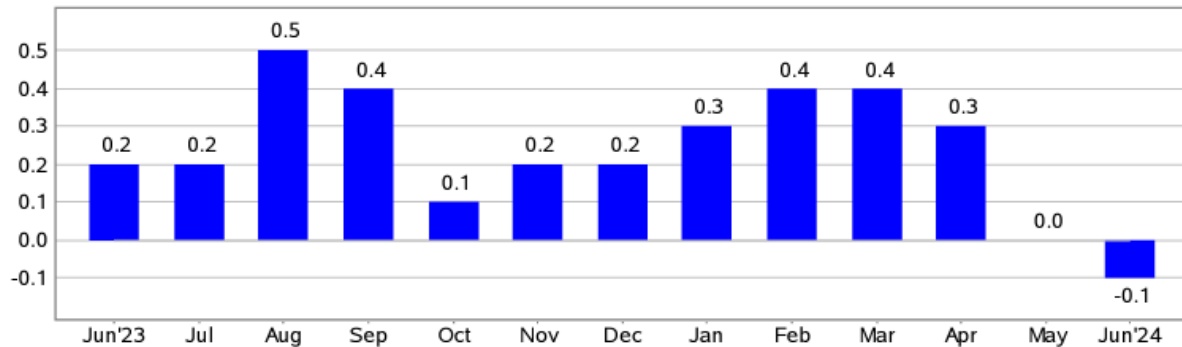
TACIR’s partners at the [Business and Economic Research Center at MTSU](#) have updated our interactive [Tracking Tennessee’s Economy](#) dashboard with data for May 2024. “Tennessee’s economic indicators generally exhibited positive trends” in May. A “significant increase” in building permits indicated “robust development activity,” while “employment trends presented a mixed picture.” Please click the link above to learn more about Tennessee’s economic and labor market trends on monthly data from state and county levels as well as the 10 different metropolitan statistical areas.

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

#### Bureau of Labor Statistics

Thursday, [Consumer Price Index](#): “The Consumer Price Index for All Urban Consumers (CPI-U) declined 0.1 percent on a seasonally adjusted basis, after being unchanged in May. . . . Over the last 12 months, the all items index increased 3.0 percent before seasonal adjustment. The index for gasoline fell 3.8 percent in June, after declining 3.6 percent in May, more than offsetting an increase in shelter. The energy index fell 2.0 percent over the month, as it did the preceding month. The index for food increased 0.2 percent in June.”

**Chart 1. One-month percent change in CPI for All Urban Consumers (CPI-U), seasonally adjusted, June 2023 - June 2024**  
Percent change



Thursday, [Real Earnings](#): “Real average hourly earnings for all employees increased 0.4 percent from May to June, seasonally adjusted. . . . Real average hourly earnings increased 0.8 percent, seasonally adjusted, from June 2023 to June 2024.”

Friday, [Producer Price Index](#): “The Producer Price Index for final demand advanced 0.2 percent in June, seasonally adjusted. . . . Final demand prices were unchanged in May and increased 0.5 percent

in April. On an unadjusted basis, the index for final demand rose 2.6 percent for the 12 months ended in June, the largest advance since moving up 2.7 percent for the 12 months ended March 2023.”

Bureau of Transportation Statistics

Thursday, [Transportation Services Index](#): The index, “which is based on the amount of freight carried by the for-hire transportation industry, rose 1.7 percent in May from April, rising for the first month after a two-month decline. . . . From May 2023 to May 2024 the index rose 0.2 percent. . . . The level of for-hire freight shipments in May measured by the Freight TSI (137.8) was 2.8 percent below the all-time high of 141.8 reached in August 2022.”

Census Bureau

Wednesday, [Monthly Wholesale Trade](#): “May 2024 sales of merchant wholesalers . . . were \$666.7 billion, up 0.4 percent from the revised April level and were up 1.9 percent from the revised May 2023 level. . . . Total inventories of merchant wholesalers were \$901.7 billion at the end of May, up 0.6 percent from the revised April level. Total inventories were down 0.5 percent from the revised May 2023 level.”

Thursday, [Business Formation Statistics](#): “Business Applications for June 2024, adjusted for seasonal variation, were 431,246, an increase of 1.7 percent compared to May 2024. Projected Business Formations (within 4 quarters) for June 2024, adjusted for seasonal variation, were 28,166, an increase of 0.9 percent compared to May 2024.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending July 6, the advance figure for seasonally adjusted initial claims was 222,000, a decrease of 17,000 from the previous week’s revised level. . . . The 4-week moving average was 233,500, a decrease of 5,250 from the previous week’s revised average.” The advance figure for initial claims filed in Tennessee in the week ending July 6 (unadjusted) was 4,500, an increase of 1,246 from the previous week.

Federal Reserve Board

Monday, [Consumer Credit Outstanding](#): “In May, consumer credit increased at a seasonally adjusted annual rate of 2.7 percent. Revolving credit increased at an annual rate of 6.3 percent, while nonrevolving credit increased at an annual rate of 1.4 percent.”

### **Economic Indicators and Surveys:**

Federal Reserve Bank of New York

Monday, [Survey of Consumer Expectations](#): In the June survey, “inflation expectations declined at the short- and longer-term horizons, but increased slightly at the medium-term horizon. Similarly, one-year-ahead expectations about home prices and one-year-ahead expectations about specific goods prices all declined. . . . Median expected growth in household income declined 0.1 percentage point to 3.0 percent in June. The series has been moving within a narrow range of 2.9 percent to 3.3 percent since January 2023 and remains above the February 2020 pre-pandemic level of 2.7 percent.”

National Federation of Independent Business

Tuesday, [Small Business Optimism Index](#): The index “reached the highest reading of the year in June at 91.5, a one-point increase from last month. The last time the index was higher was in December of 2023 when it reached 91.9. Even so, this marks the 30th month below the historical average of 98.

Inflation is still the top small business issue, with 21 percent of owners reporting it as their single most important problem in operating their business, down one point from May.”

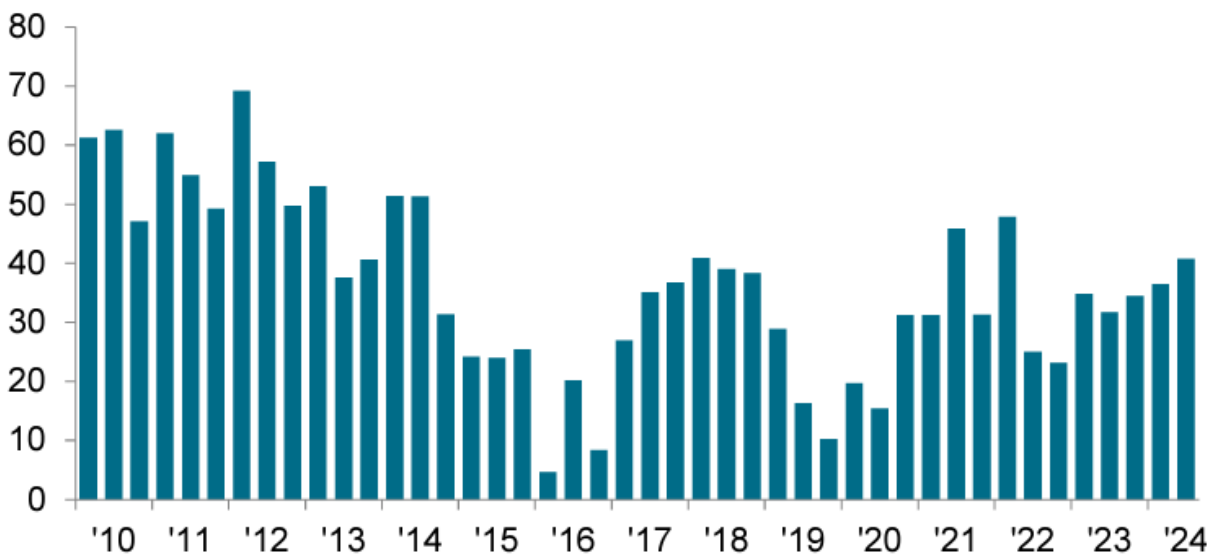
S&P Global

Tuesday, [Global Business Outlook](#): “Companies were generally confident that output will expand, while modest improvements in employment and investment are expected. Inflationary pressures are anticipated to remain stubbornly high. . . . The net balance of companies worldwide predicting a rise in business activity over the coming year was unchanged at +28 percent in June and has been around this level through business outlook surveys across the past year.”

Tuesday, [U.S. Business Outlook](#): “Confidence among U.S. companies improved further midway through 2024. . . . The headline Business Activity net balance rose to +41 percent in June, up from +36 percent in February. In fact, sentiment strengthened for the third consecutive outlook survey and was the highest since early-2022. . . . Little sign of any meaningful slowdown in input cost inflation meant that predictions around selling prices were almost unchanged in June. . . . U.S. companies revised up their projections for investment spending.”

## US Business Activity expectations

% net balance



Source: S&P Global PMI.

Data were collected 12-26 June 2024.

University of Michigan

Friday, [Index of Consumer Sentiment \(Preliminary\)](#): “For the second straight month, consumer sentiment is essentially unchanged. Nearly half of consumers still object to the impact of high prices, even as they expect inflation to continue moderating in the years ahead. With the upcoming election, consumers perceived substantial uncertainty in the trajectory of the economy, though there is little evidence that the first presidential debate altered their economic views.”

## Mortgages and Housing Markets:

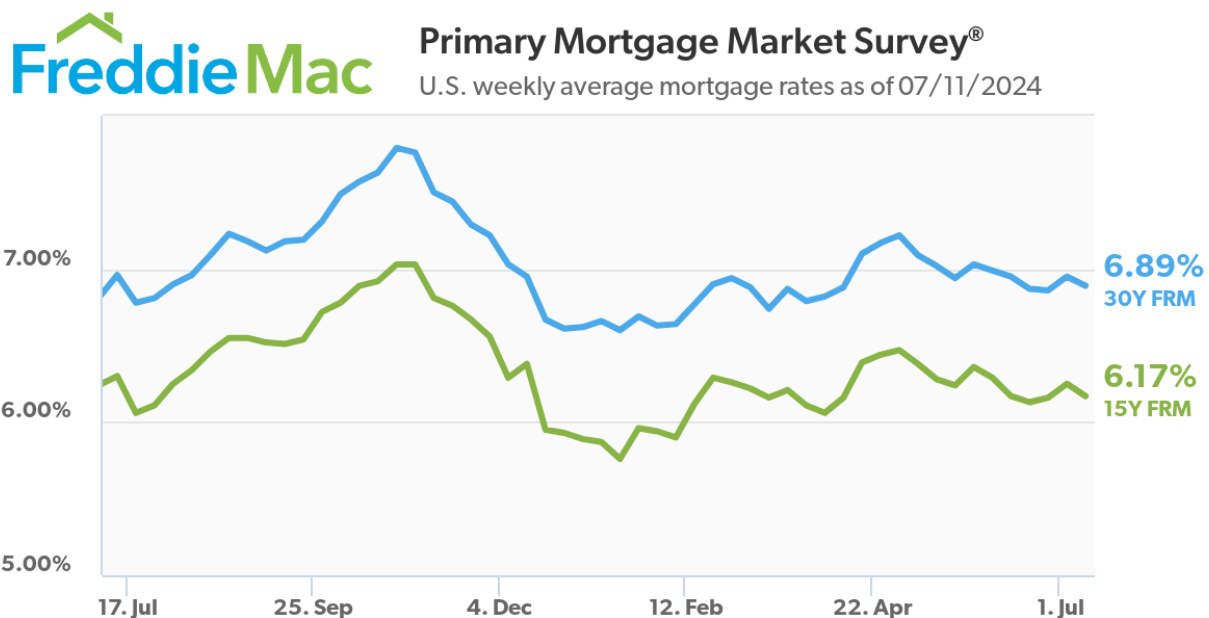
### Fannie Mae

Monday, [Home Purchase Sentiment Index](#): The index “increased 3.2 points in June to 72.6, rebounding from last month’s dip and returning the index nearer the plateau it set earlier this year. This month, 19 percent of consumers indicated that it’s a good time to buy a home, up from 14 percent in May, which represented a new survey low. The share believing it’s a good time to sell also increased, rising from 64 percent to 66 percent.”

Tuesday, [Mortgage Lender Sentiment Survey](#): “Lenders’ views about the U.S. economy significantly improved relative to last year. . . . Like last year, lenders continue to consider low housing supply and higher mortgage rates as the biggest risks to industry growth.”

### Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “Following June’s jobs report, which showed a cooling labor market, the 10-year Treasury yield decreased this week and mortgage rates followed suit,” said Sam Khater, Freddie Mac’s Chief Economist. . . . The 30-year FRM averaged 6.89 percent as of July 11, 2024, down from last week when it averaged 6.95 percent. A year ago at this time, the 30-year FRM averaged 6.96 percent.”



### Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications decreased 0.2 percent from one week earlier, according to data from the Mortgage Bankers Association’s (MBA) Weekly Applications Survey for the week ending July 5, 2024. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$766,550 or less) decreased to 7.00 percent from 7.03 percent.”