Economic Update, July 17, 2026

Submitted by Hannah Newcomb

Summary:

The consumer price index (CPI) and producer price index (PPI) decreased in June by 0.4 percent and 0.3 percent, respectively, although inflation remains higher than the Federal Reserve's target rate. Consumer sentiment climbed to its highest reading since February but is still down 12 percent from where it was this time last year. Average weekly earnings increased with no change in the average workweek, while initial unemployment claims decreased from the previous week. Trade sales and manufacturers' shipments, along with manufacturers' and trade inventories, increased in May 2026 compared to April. Import prices increased 0.3 percent in June, and U.S. exports decreased by 0.6 percent. Housing permits decreased by 3 percent, while pending home sales decreased in June by 5.4 percent month-over-month and 0.3 percent year-over-year, and the 30-year fixed-rate mortgage averaged 6.55 percent this week.

Tennessee's economy showed mixed signals in May 2026, the *Tracking Tennessee's Economy* dashboard showed Wednesday. Weekly initial unemployment claims increased by 13.29 percent despite a slight decline in the unemployment rate. Average hourly earnings and weekly hours both increased. Nonfarm employment in the state increased over the month of May, and leisure and hospitality recorded the strongest gains. State sales tax collections declined by 0.99 percent over the month. The dashboard is part of an ongoing partnership between TACIR and the Business and Economic Research Center at Middle Tennessee State University. Please visit the website to learn more about Tennessee's economic and labor market trends at the state, county, and metropolitan statistical area levels.

Federal Government Indicators and Reports:

U.S. Bureau of Labor Statistics

Tuesday, Consumer Price Index: "The Consumer Price Index for All Urban Consumers (CPI-U) decreased 0.4 percent on a seasonally adjusted basis in June after rising 0.5 percent in May. . . . This decline in the all items index was the largest 1-month decrease since April 2020 when it fell 0.8 percent. Over the last 12 months, the all items index increased 3.5 percent before seasonal adjustment."

Tuesday, Real Earnings: "Real average weekly earnings increased 0.8 percent over the month due to the change in real average hourly earnings combined with no change in the average workweek."

Wednesday, Producer Price Index: "The Producer Price Index for final demand fell 0.3 percent in June. . . . The June decline in the index for final demand can be attributed to prices for final demand goods, which fell 1.4 percent."

Friday, Import Prices: "U.S. import prices increased 0.3 percent in June . . . following a 1.7-percent advance in May. Higher prices for nonfuel imports more than offset lower prices for fuel imports in June. Prices for U.S. exports decreased 0.6 percent in June, after rising 1.2 percent the previous month."

U.S. Census Bureau

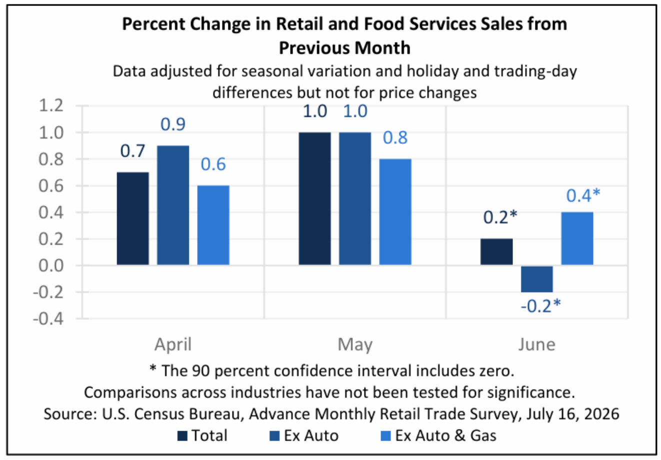
Thursday, Advanced Monthly Sales for Retail and Food: "Advance estimates of U.S. retail and food services sales for June 2026, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $768.6 billion, up 0.2 percent from the previous month, and up 6.7 percent from June 2025. Total sales for the April 2026 through June 2026 period were up 6.4 percent from the same period a year ago.”

ADVANCE MONTHLY SALES

June 2026	**$768.6 billion**	**0.2%***
May 2026 (revised)	**$766.9 billion**	**1.0%**

Next release: August 14, 2026

* The 90 percent confidence interval includes zero. There is insufficient statistical evidence to conclude that the actual change is different from zero.
Data adjusted for seasonal variation and holiday and trading-day differences but not for price changes. Source: U.S. Census Bureau, Advance Monthly Retail Trade Survey, July 16, 2026



Thursday, [Manufacturing and Trade Inventories and Sales]: “The combined value of distributive trade sales and manufacturers’ shipments for May, adjusted for seasonal and trading day differences but not for price changes, was estimated at $2,135.0 billion, up 2.1 percent from April 2026 and was up 11.9 percent from May 2025. . . . Manufacturers’ and trade inventories for May, adjusted for seasonal and trading day differences but not for price changes, were estimated at an end-of-month level of $2,736.2 billion, up 0.3 percent from April 2026.”

BUSINESS INVENTORIES

MAY 2026	**$2,736.2 billion**	**+0.3%**
APRIL 2026 (revised)	**$2,728.1 billion**	**+0.6%**

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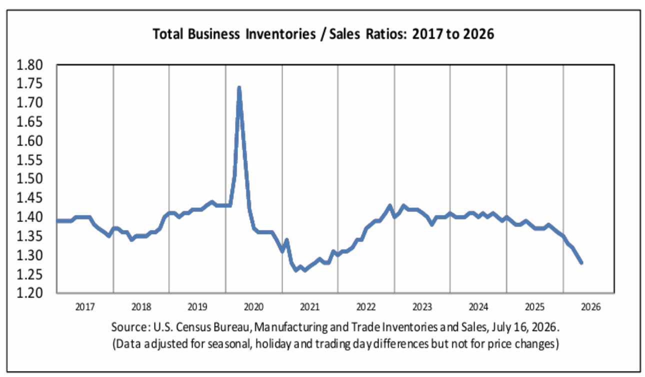
Data adjusted for seasonality but not price changes.
Source: U.S. Census Bureau, Manufacturing and Trade Inventories and Sales, July 16, 2026.



Friday, [New Residential Construction]: “Privately-owned housing units authorized by building permits in June were at a seasonally adjusted annual rate of 1,367,000. This is 3.0 percent below the revised May rate of 1,410,000 and is 2.3 percent below the June 2025 rate of 1,399,000.”

Department of Labor

Thursday, [Unemployment Weekly Claims]: “In the week ending July 11, the advance figure for seasonally adjusted initial claims was 208,000, a decrease of 8,000 from the previous week's revised level. The previous week's level was revised up by 1,000 from 215,000 to 216,000. The 4-week moving average was 214,250, a decrease of 4,750 from the previous week's revised average. The previous week's average was revised up by 250 from 218,750 to 219,000.”

Economic Indicators and Confidence:

Federal Reserve

Monday, Waller Speech: "Spending by households and businesses has been resilient, despite higher goods costs generated by tariffs and the surge in energy prices from the Middle East conflict. The labor market has also been stable, with employment close to the Federal Open Market Committee's (FOMC) maximum-employment goal. So I feel the real side of the economy is in good shape. But I believe inflation and monetary policy are at a crossroads."

Wednesday, Cook Speech: "Persistently elevated inflation imposes an unacceptable burden on American families, and it is the Federal Reserve's responsibility to restore price stability. . . . Even though this week's consumer price index and producer price index reports were softer than expected, they still imply that the price index we target rose 3.7 percent in the 12 months through June. That is 1.7 percentage points above our 2 percent target. We have not reached our 2 percent target in more than five years."

University of Michigan

Friday, Consumer Sentiment: "With the second straight month of 10 percent jumps, consumer sentiment climbed to its highest reading since February of this year on the basis of easing price pressures at the pump in recent weeks. . . . However, with prices remaining frustratingly high. . . . sentiment is down 12 percent from a year ago."

Mortgages and Housing Markets:

National Association of Realtors

Thursday, Pending Home Sales: "Pending home sales in June decreased by 5.4 percent month-over-month and 0.3 percent year-over-year. . . . 'The highest mortgage rates in nearly a year and the record-high national median home price together are contributing to a tepid housing market that is especially difficult for first-time homebuyers. . . . However, job gains can help support housing demand.'"

Freddie Mac

Thursday, 30-Year Mortgage Rate: "'The 30-year fixed-rate mortgage averaged 6.55 percent this week. . . . Purchase application demand has weakened recently, but housing affordability is more favorable and housing inventory continues to rise, thus the backdrop for prospective homebuyers is modestly improving.'"