Economic Update, July 21, 2023
Submitted by Michael Mount

Summary: The Conference Board's leading economic index decreased for the 15th straight month, the longest streak since 2007-08 and a signal that a possible recession is looming. Retail sales increased slightly, though less than expected. Although the number of existing homes on the market is low, building permits for new residential construction fell in June. The lack of existing inventory is keeping demand for new homes solid, increasing builder confidence, according to the National Home Builders Association. This week, we've included a table and a chart about health care labor costs and prices, respectively.

Federal Government Indicators and Reports

US Census

Tuesday, Retail Sales: "Advance estimates of US retail and food services sales for June 2023 . . . were $689.5 billion, up 0.2 percent from the previous month, and up 1.5 percent above June 2022."

Tuesday, Business Inventories and Sales: "The combined value of distributive trade sales and manufacturers' shipments for May . . . was estimated at $1,822.1 billion, up 0.2 percent from April 2023, but was down 1.8 percent from May 2022." Inventories were up.

Department of Labor

Thursday, Initial Claims: "In the week ending July 15, the advance figure for seasonally adjusted initial claims was 228,000, a decrease of 9,000 from the previous week's unrevised level of 237,000."

Economic Indicators and Confidence

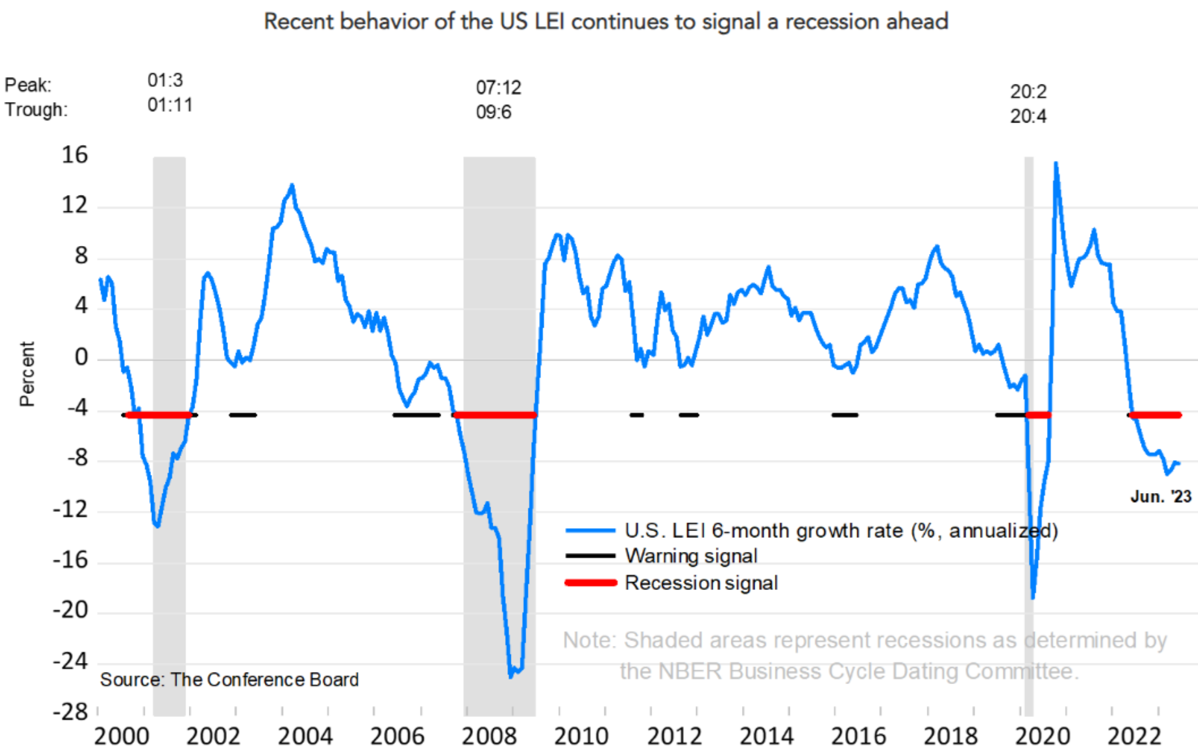
Federal Reserve

Tuesday, Industrial Production and Capacity Utilization: "Industrial production declined 0.5 percent in June for a second consecutive month but advanced 0.7 percent at an annual rate for the second quarter as a whole. . . . Capacity utilization stepped down to 78.9 percent in June, a rate that is 0.8 percentage point below its long-run (1972–2022) average."

Tuesday, Barr Speech: Speaking at the National Fair Housing Alliance's national conference, the Fed's vice chair for supervision, Michael S. Barr, said, "The digital economy has produced alternative data sources, some of which can provide a window into the creditworthiness of an individual who does not have a standard credit history. And new artificial intelligence techniques such as machine learning have the potential to leverage these data at scale and at low cost to expand credit to people who otherwise can't access it. While these technologies have enormous potential, they also carry risks of violating fair lending laws and perpetuating the very disparities that they have the potential to address. Use of machine learning or other artificial intelligence may perpetuate or even amplify bias or inaccuracies inherent in the data used to train the system or make incorrect predictions if that data set is incomplete or nonrepresentative. . . . While banks are still in the early days of adopting artificial intelligence and other machine learning technologies, we are working to ensure that our supervision keeps pace."

The Conference Board

Wednesday, Leading Economic Index: "'The US LEI fell again in June, fueled by gloomier consumer expectations, weaker new orders, an increased number of initial claims for unemployment, and a reduction in housing construction,' said Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board. 'The Leading Index has been in decline for 15 months—the longest streak of consecutive decreases since 2007-08, during the runup to the Great Recession. Taken together, June's data suggests economic activity will continue to decelerate in the months ahead.'"



Mortgages and Housing Markets

National Association of Home Builders

Tuesday, [Builder Confidence]: "Low existing inventory that is keeping demand solid for new homes helped to push builder confidence up in July even as the industry continues to grapple with rising mortgage rates, elevated construction costs and limited lot availability. Builder confidence in the market for newly built single-family homes in July posted a one-point gain to 56."

Mortgage Bankers Association

Wednesday, [Mortgage Applications]: "'Mortgage rates declined last week, as markets responded positively to incoming data showing that US inflation continues to cool. Most rates in our survey declined, with the 30-year fixed rate falling to 6.87 percent,' said Joel Kan, MBA's Vice President and Deputy Chief Economist. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($726,200 or less) decreased to 6.87 percent from 7.07 percent. . . . The average contract interest rate for 15-year fixed-rate mortgages decreased to 6.36 percent from 6.42 percent."

US Census

Wednesday, [New Residential Construction]: "Privately-owned housing units authorized by building permits in June were at a seasonally adjusted annual rate of 1,440,000. This is 3.7 percent below the revised May rate of 1,496,000 and is 15.3 percent below the June 2022 rate of 1,701,000."

National Association of Realtors

Thursday, Existing Home Sales: "Existing-home sales dropped 3.3 percent in June to a seasonally adjusted annual rate of 4.16 million. Sales trailed off by 18.9 percent from one year ago."

Heathcare

Centers for Medicare and Medicaid Services

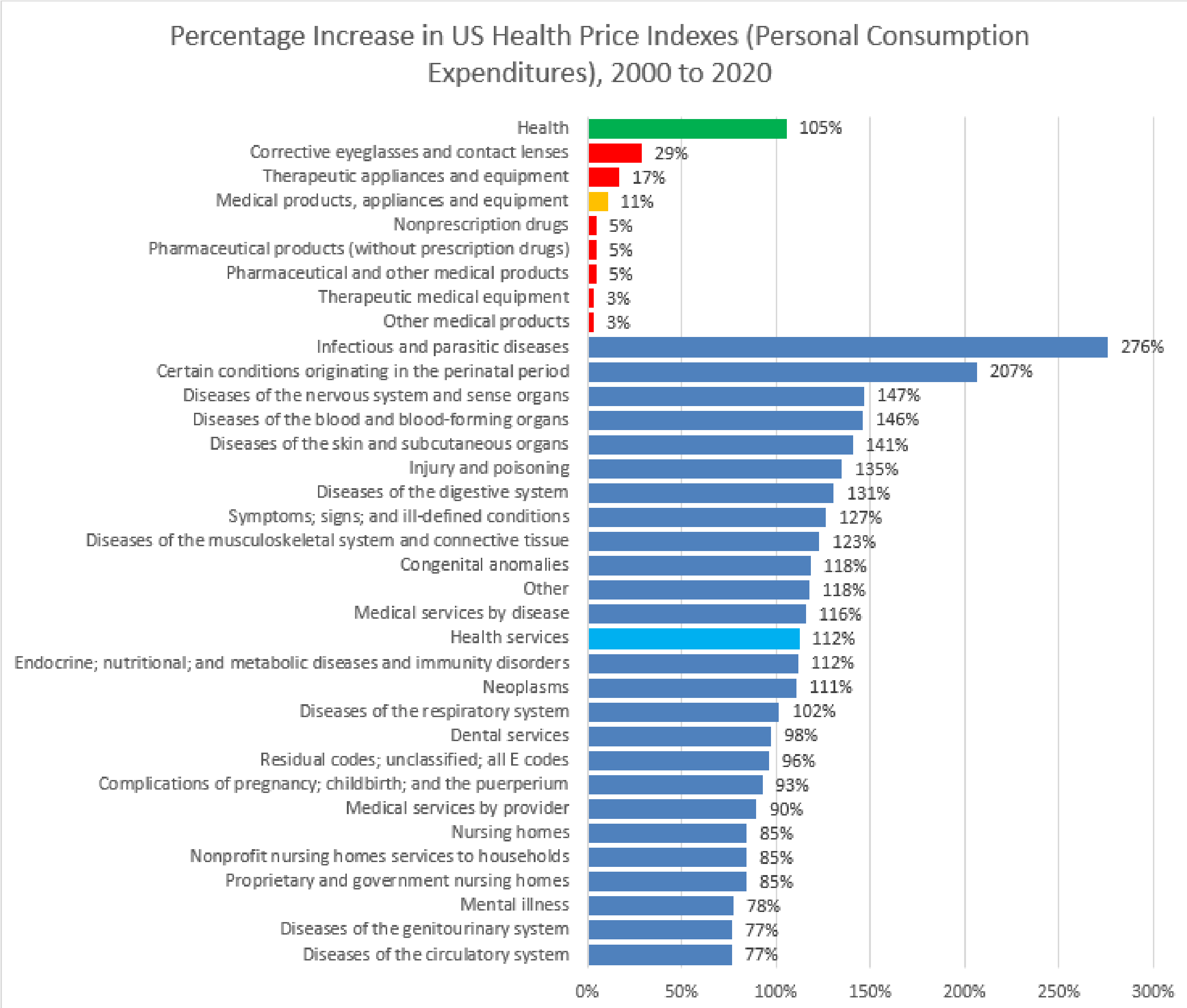
The following table shows average hourly wages of health care providers in Tennessee's Census core-based statistical areas for fiscal year 2022-23 and fiscal year 2023-24, along with the number of providers in each area. The adjustment is to account for differences in the timing of reporting. For more data from the Centers for Medicare and and Medicaid Services: https://data.cms.gov/.

Table. Adjusted Average Hourly Wages of Health Care Providers in Tennessee, Fiscal Year 2022-23 to Fiscal Year 2023-24

Census Core-Based Statistical Area	Fiscal Year 2022-23	Fiscal Year 2023-24	Number of Providers, Fiscal Year 2023-24
Chattanooga	$ 40.64	$ 42.80	4
Clarksville	$ 35.69	$ 36.39	2
Cleveland	$ 35.32	$ 39.03	1
Jackson	$ 33.13	$ 36.19	2
Johnson City	$ 33.62	$ 38.16	4
Kingsport-Bristol	$ 33.89	$ 38.58	5
Knoxville	$ 34.57	$ 35.31	9
Memphis	$ 39.60	$ 41.36	11
Nashville-Murfreesboro	$ 41.48	$ 44.15	18

Bureau of Economic Analysis

The following chart shows percentage increases from 2000 to 2020 in US Health Price Indexes, which are based on the Bureau of Economic Analysis' Personal Consumption Expenditures and Gross Domestic Product. The overall price index more than doubled (+105 percent). Health services increased 112 percent, while medical products, appliances, and equipment increased 11 percent.


Percentage Increase in US Health Price Indexes (Personal Consumption Expenditures), 2000 to 2020
Health 105%
Corrective eyeglasses and contact lenses 29%
Therapeutic appliances and equipment 17%
Medical products, appliances and equipment 11%
Nonprescription drugs 5%
Pharmaceutical products (without prescription drugs) 5%
Pharmaceutical and other medical products 5%
Therapeutic medical equipment 3%
Other medical products 3%
Infectious and parasitic diseases 276%
Certain conditions originating in the perinatal period 207%
Diseases of the nervous system and sense organs 147%
Diseases of the blood and blood-forming organs 146%
Diseases of the skin and subcutaneous organs 141%
Injury and poisoning 135%
Diseases of the digestive system 131%
Symptoms; signs; and ill-defined conditions 127%
Diseases of the musculoskeletal system and connective tissue 123%
Congenital anomalies 118%
Other 118%
Medical services by disease 116%
Health services 112%
Endocrine; nutritional; and metabolic diseases and immunity disorders 112%
Neoplasms 111%
Diseases of the respiratory system 102%
Dental services 98%
Residual codes; unclassified; all E codes 96%
Complications of pregnancy; childbirth; and the puerperium 93%
Medical services by provider 90%
Nursing homes 85%
Nonprofit nursing homes services to households 85%
Proprietary and government nursing homes 85%
Mental illness 78%
Diseases of the genitourinary system 77%
Diseases of the circulatory system 77%
0%
50%
100%
150%
200%
250%
300%