Economic Update, July 31, 2026

Submitted by Michael Mount

Summary:

Economic growth slowed in the second quarter of 2026, decreasing to 1.5 percent from 2.1 percent in the first quarter. Consumer confidence decreased, and consumers remain concerned about gasoline. New orders for core capital goods increased 0.9 percent in June, and private employers added 98,000 jobs. The Federal Reserve said economic activity is expanding at a solid pace despite elevated uncertainty that owes, in part, to the conflict in the Middle East. But inflation remains high at 3.7 percent over the past 12 months, as measured by the Personal Consumption Expenditures (PCE) index.

Federal Government Indicators and Reports:

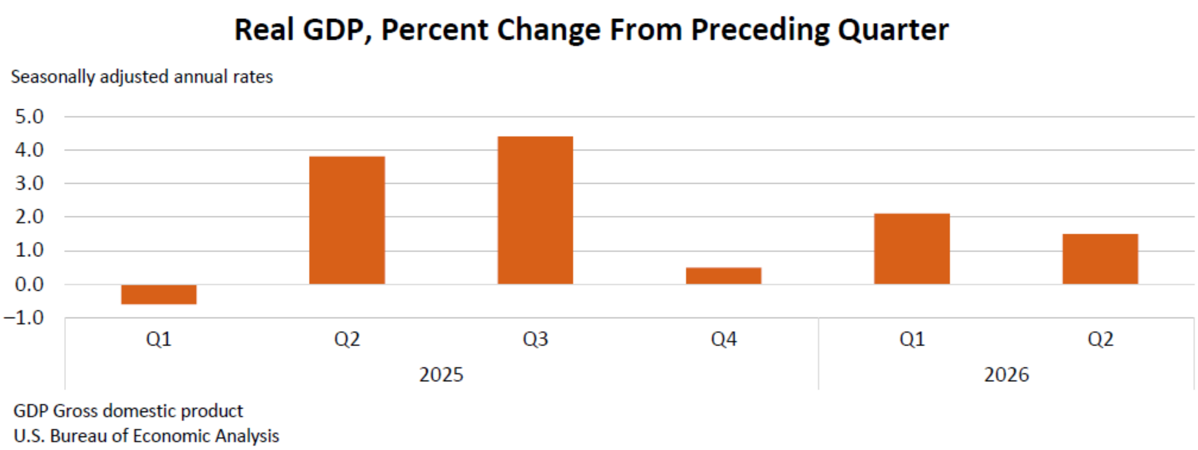
U.S. Census

Monday, Durable Goods: "New orders for manufactured durable goods in June, up three of the last four months, increased \$1.1 billion or 0.3 percent to \$334.8 billion. . . . This followed a 4.0 percent May decrease." New orders for nondefense capital goods, excluding aircraft, increased 0.9 percent.

Tuesday, International Trade: "The international trade deficit was \$101.5 billion in June, down \$4.4 billion from \$105.9 billion in May. Exports of goods for June were \$204.7 billion, \$3.8 billion less than May exports. Imports of goods for June were \$306.2 billion, \$8.2 billion less than May imports."

Bureau of Economic Analysis

Thursday, Gross Domestic Product: "Real gross domestic product (GDP) increased at an annual rate of 1.5 percent in the second quarter of 2026 (April, May, and June. . . . In the first quarter, real GDP increased 2.1 percent."



Thursday, Personal Income, Expenditures, and Inflation: "Personal income increased \$54.9 billion (0.2 percent at a monthly rate) in June . . . and personal consumption expenditures (PCE) increased \$65.2 billion (0.3 percent). . . . From the same month one year ago, the PCE price index for June increased 3.7 percent."

Department of Labor

Thursday, Initial Claims: "In the week ending July 25, the advance figure for seasonally adjusted initial claims was 197,000, an increase of 9,000 from the previous week's revised level."

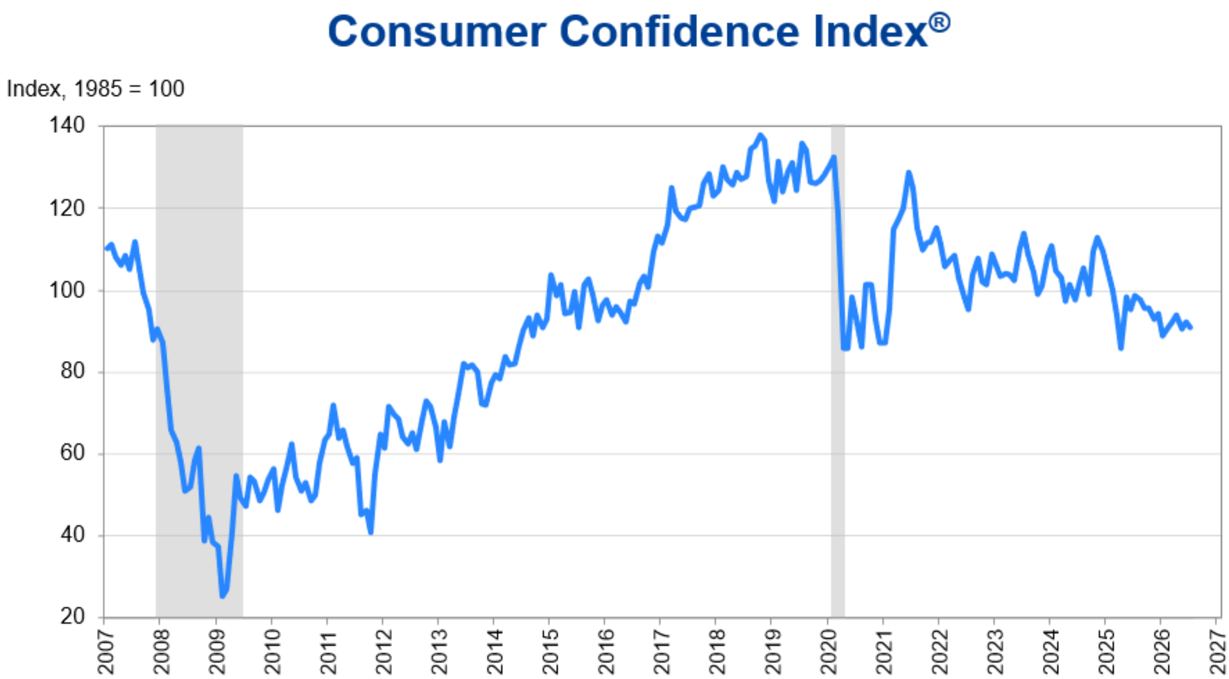
Economic Indicators and Confidence:

Automatic Data Processing (ADP)

Tuesday, Private Employment: "Private employers added 98,000 jobs in June. 'The pace of hiring is telling a story of both supply and demand. We know it's taking people longer to find work, but there also are signs of labor supply constraints in certain industries. For now, the overall effect is a slowdown in job creation,'" said Dr. Nela Richardson Chief Economist, ADP.

The Conference Board

Tuesday, Consumer Confidence: The index "decreased by 1.4 points to 90.8 (1985=100) in July, down from an upwardly revised 92.2 in June."



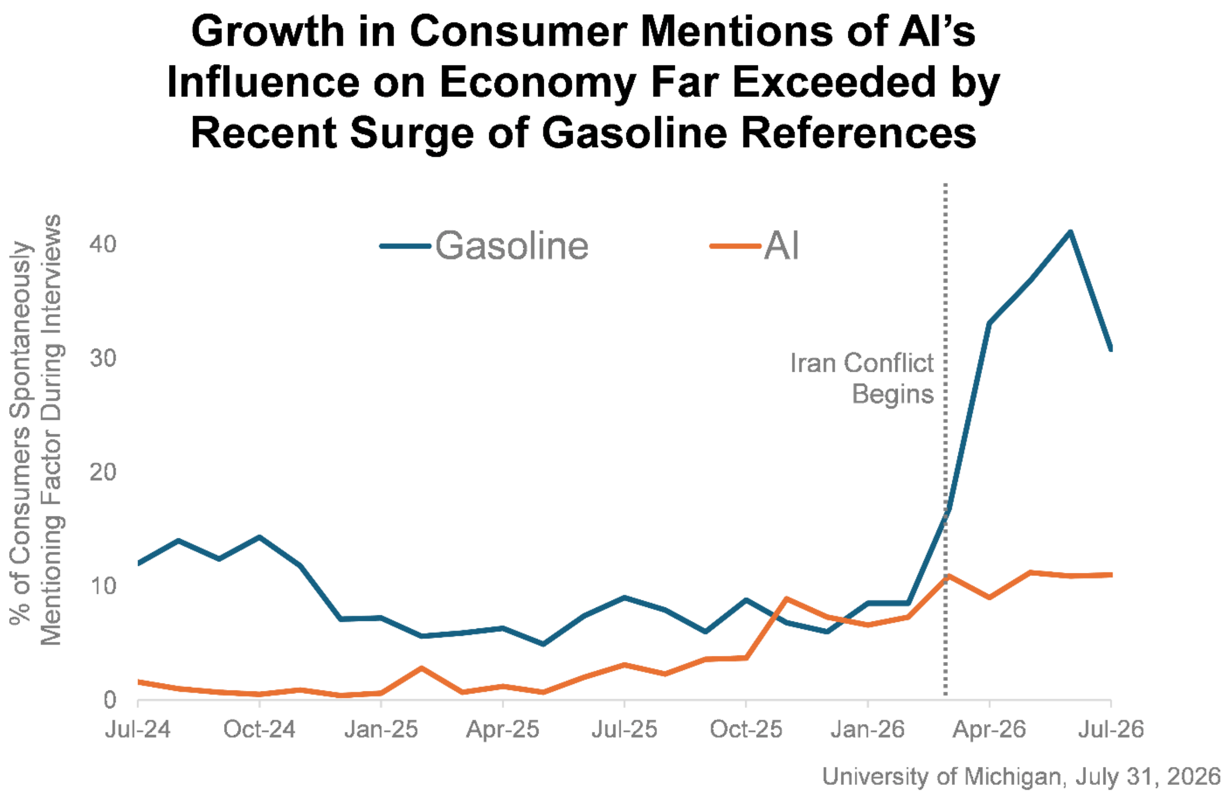
*Shaded areas represent periods of recession.
Sources: The Conference Board; NBER

Federal Reserve

Wednesday, Federal Open Market Committee (FOMC) Statement: "The Committee decided to maintain the target range for the federal funds rate at 3-1/2 to 3-3/4 percent. . . . Economic activity is expanding at a solid pace despite elevated uncertainty that owes, in part, to the conflict in the Middle East. Productivity growth and capital investment are strong. Job gains have kept pace with the workforce, and the unemployment rate has changed little. Inflation remains elevated relative to the Committee's 2 percent goal, in part reflecting supply shocks that have driven price increases in certain sectors, including energy."

University of Michigan

Friday, Consumer Sentiment: The index increased from 49.5 to 55.2, from June to July 2026. "Consumer sentiment confirmed its early-month reading, landing almost 12 percent above June." Consumers mentioned gasoline more than AI during interviews.



<u>Mortgages and Housing Markets:</u>

U.S. Census

Tuesday, Residential Vacancies: "National vacancy rates in the second quarter 2026 were 7.3 percent for rental housing and 1.2 percent for homeowner housing. The rental vacancy rate was not statistically different from the rate in the second quarter 2025 (7.0 percent) and virtually the same as the rate in the first quarter 2026 (7.3 percent)."

Federal Housing Finance Agency

Tuesday, House Prices: "U.S. house prices rose nationwide in May, up 0.3 percent from the previous month. . . . House prices rose 2.2 percent from May 2025 to May 2026."

Standard & Poor Global

Wednesday, Home Prices: The index "posted a 1.1 percent annual gain for May 2026, up from a 0.9 percent rise in the previous month. For the 12th consecutive month, U.S. home values fell in real terms, as May's 4.2 percent inflation ran roughly 3 percentage points above the 1.1 percent home price gain."

Mortgage Bankers Association

Wednesday, Homebuyer Affordability: "Homebuyer affordability improved in June, with the national median payment applied for by purchase applicants decreasing to $2,191 from $2,198 in May."