

Economic Update, August 2, 2024
Submitted by Bob Moreo

Summary: The Federal Reserve held interest rates steady again at its July meeting, but a number of weak jobs reports this week added fuel to calls for the central bank to start taking action soon. “The number of Americans filing for unemployment benefits jumped to its highest level in a year last week,” AP News [reported on Thursday](#). “Jobless claims for the week ending July 27 climbed by 14,000 to 249,000, from 235,000 the previous week. . . . It’s the most since the first week of August last year and the 10th straight week that claims have come in above 220,000.” Friday’s employment report from the U.S. Bureau of Labor Statistics came in “weaker-than-expected,” [according to ABC News](#). “Employers hired 114,000 workers last month, falling well short of economist expectations of 185,000 jobs.” The ADP National Employment Report disappointed as well. “Companies added just 122,000 jobs on the month, the slowest pace since January,” [CNBC reported](#). “Economists surveyed by Dow Jones had been looking for a gain of 150,000.” Manufacturing activity and new orders for manufactured goods also showed signs of weakening. Mortgage rates were down somewhat and pending home sales increased.

Federal Government Indicators and Reports:

Bureau of Labor Statistics

Tuesday, [Job Openings and Labor Turnover Survey](#): “On the last business day of June, the number of job openings was unchanged at 8.2 million and was down by 941,000 over the year. The job openings rate held at 4.9 percent in June. . . . The number of hires was little changed at 5.3 million in June but was down by 554,000 over the year. . . . The number of total separations in June changed little at 5.1 million. This measure was down by 544,000 over the year.”

Tuesday, [Metropolitan Area Employment and Unemployment](#): “Unemployment rates were higher in June than a year earlier in 336 of the 389 metropolitan areas, lower in 40 areas, and unchanged in 13 areas. . . . Nonfarm payroll employment increased over the year in 52 metropolitan areas, decreased in 1 area, and was essentially unchanged in 336 areas. The national unemployment rate in June was 4.3 percent, not seasonally adjusted, up from 3.8 percent a year earlier.” See tables 1 and 3 for unemployment and payroll data from Tennessee’s metropolitan areas.

**LABOR FORCE DATA
NOT SEASONALLY ADJUSTED**

Table 1. Civilian labor force and unemployment by state and metropolitan area

State and area	Civilian labor force				Unemployed							
	May		June		Number				Percent of labor force			
	2023	2024	2023	2024 ^P	May		June		May		June	
					2023	2024	2023	2024 ^P	2023	2024	2023	2024 ^P
Tennessee.....	3,392,095	3,403,663	3,427,697	3,426,425	105,818	95,827	127,927	126,542	3.1	2.8	3.7	3.7
Chattanooga.....	283,175	288,372	284,348	290,074	8,654	8,033	10,588	10,411	3.1	2.8	3.7	3.6
Clarksville.....	120,122	121,682	121,401	122,335	4,687	4,521	5,464	5,566	3.9	3.7	4.5	4.5
Cleveland.....	57,170	57,699	58,098	58,302	1,952	1,709	2,369	2,275	3.4	3.0	4.1	3.9
Jackson.....	64,129	64,395	64,785	64,893	2,024	1,865	2,353	2,449	3.2	2.9	3.6	3.8
Johnson City.....	93,098	92,788	93,662	93,113	3,066	2,766	3,666	3,573	3.3	3.0	3.9	3.8
Kingsport-Bristol-Bristol.....	136,759	136,539	138,503	137,652	4,485	4,153	5,349	5,244	3.3	3.0	3.9	3.8
Knoxville.....	448,411	447,798	451,846	450,605	12,823	11,624	15,874	15,515	2.9	2.6	3.5	3.4
Memphis.....	624,628	620,054	630,277	622,526	23,212	21,808	28,749	28,991	3.7	3.5	4.6	4.7
Morristown.....	53,399	52,980	53,768	53,407	1,746	1,543	2,157	2,059	3.3	2.9	4.0	3.9
Nashville-Davidson--Murfreesboro--Franklin.....	1,148,141	1,156,535	1,164,396	1,166,890	29,799	26,757	34,442	34,533	2.6	2.3	3.0	3.0

**ESTABLISHMENT DATA
NOT SEASONALLY ADJUSTED**

Table 3. Employees on nonfarm payrolls by state and metropolitan area, not seasonally adjusted — Continued
[In thousands]

State and area	May		June		Change from June 2023 to June 2024 ^P	
	2023	2024	2023	2024 ^P	Number	Percent
Tennessee.....	3,328.1	3,336.9	3,335.7	3,334.5	-1.2	0.0
Chattanooga.....	285.1	289.6	283.6	290.2	6.6	2.3
Clarksville.....	100.8	102.4	101.1	101.9	0.8	0.8
Cleveland.....	47.5	48.1	47.9	48.2	0.3	0.6
Jackson.....	72.0	72.2	72.0	72.1	0.1	0.1
Johnson City.....	86.8	86.3	86.3	85.8	-0.5	-0.6
Kingsport-Bristol-Bristol.....	124.0	124.2	124.2	124.3	0.1	0.1
Knoxville.....	441.7	440.6	440.6	440.3	-0.3	-0.1
Memphis.....	662.5	655.2	661.1	649.8	-11.3	-1.7
Morristown.....	49.7	49.4	49.3	49.4	0.1	0.2
Nashville-Davidson--Murfreesboro--Franklin.....	1,159.2	1,166.6	1,167.4	1,171.3	3.9	0.3

Wednesday, [Employment Cost Index](#): “Compensation costs for civilian workers increased 0.9 percent, seasonally adjusted, for the 3-month period ending in June 2024. . . . Wages and salaries increased 0.9 percent and benefit costs increased 1.0 percent from March 2024. Compensation costs for civilian workers increased 4.1 percent for the 12-month period ending in June 2024 and increased 4.5 percent in June 2023.”

Thursday, [Productivity and Costs](#): “Nonfarm business sector labor productivity increased 2.3 percent in the second quarter of 2024, . . . as output increased 3.3 percent and hours worked increased 1.0 percent. From the same quarter a year ago, nonfarm business sector labor productivity increased 2.7 percent. Unit labor costs in the nonfarm business sector increased 0.9 percent in the second quarter of 2024, reflecting a 3.3-percent increase in hourly compensation and a 2.3-percent increase in productivity. Unit labor costs increased 0.5 percent over the last four quarters, the lowest rate since the third quarter of 2019, when the measure also increased 0.5 percent.”

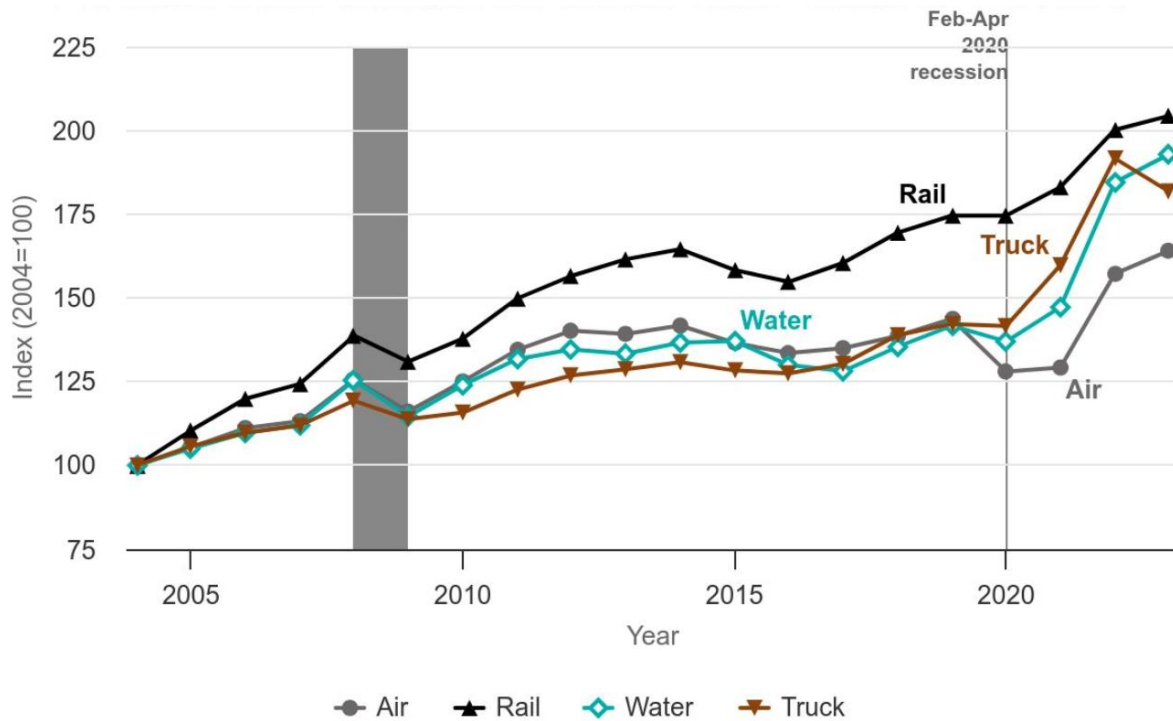
Friday, [Employment Situation](#): “The unemployment rate rose to 4.3 percent in July, and nonfarm payroll employment edged up by 114,000. . . . Employment continued to trend up in health care, in construction, and in transportation and warehousing, while information lost jobs. . . . The unemployment rate rose by 0.2 percentage point to 4.3 percent in July, and the number of unemployed people increased by 352,000 to 7.2 million. These measures are higher than a year earlier, when the jobless rate was 3.5 percent, and the number of unemployed people was 5.9 million.”

Bureau of Transportation Statistics

Tuesday, [Transportation Economic Trends](#): “From 2022 to 2023, the price for water transportation services increased the most, at 4.6 percent, followed by air (4.4 percent) and rail transportation (2.1 percent). The price for truck transportation decreased by 5.2 percent from 2022 to 2023—the largest year-over-year decrease on record (with records beginning in 2004). Despite the decline, truck transportation services reached its second-highest level in 2023. Water, air, and rail transportation services reached an all-time high. This implies an increase in the cost that businesses face for these transportation services. . . . An estimated 16.0 million persons (10.3 percent of the U.S. labor force) worked in the transportation and warehousing sector and related industries (e.g., automotive

manufacturing) in 2023—up 1.7 percent from 2022. In 2023, total employment in transportation reached its highest level since 1990.”

Producer Price Indexes for Select Transportation Services



Census Bureau

Tuesday, [Housing Vacancies and Homeownership](#): “National vacancy rates in the second quarter 2024 were 6.6 percent for rental housing and 0.9 percent for homeowner housing. The rental vacancy rate was higher than the rate in the second quarter 2023 (6.3 percent) and virtually the same as the rate in the first quarter 2024 (6.6 percent). The homeowner vacancy rate of 0.9 percent was higher than the rate in the second quarter 2023 (0.7 percent) and higher than the rate in the first quarter 2024 (0.8 percent).”

Thursday, [Construction Spending](#): “Construction spending during June 2024 was estimated at a seasonally adjusted annual rate of \$2,148.4 billion, 0.3 percent below the revised May estimate of \$2,154.8 billion. The June figure is 6.2 percent above the June 2023 estimate of \$2,023.0 billion. During the first six months of this year, construction spending amounted to \$1,034.8 billion, 8.6 percent above the \$952.5 billion for the same period in 2023.”

Friday, [Manufacturers’ Shipments, Inventories, and Orders](#): “New orders for manufactured goods in June, down two consecutive months, decreased \$19.1 billion or 3.3 percent to \$564.2 billion. . . . This followed a 0.5 percent May decrease. . . . Inventories, down following four consecutive monthly increases, decreased \$0.2 billion or virtually unchanged to \$859.2 billion.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending July 27, the advance figure for seasonally adjusted initial claims was 249,000, an increase of 14,000 from the previous week’s

unrevised level of 235,000. The 4-week moving average was 238,000, an increase of 2,500 from the previous week's unrevised average of 235,500.”

Federal Reserve Board

Thursday, [Federal Open Market Committee](#): “Recent indicators suggest that economic activity has continued to expand at a solid pace. Job gains have moderated, and the unemployment rate has moved up but remains low. Inflation has eased over the past year but remains somewhat elevated. . . . In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 5-1/4 to 5-1/2 percent. . . . The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent.”

Economic Indicators and Confidence:

The Conference Board

Tuesday, [Consumer Confidence Survey](#): “The Conference Board Consumer Confidence Index rose in July to 100.3 (1985=100), from a downwardly revised 97.8 in June. The Present Situation Index—based on consumers’ assessment of current business and labor market conditions—declined to 133.6 from 135.3 last month. Meanwhile, the Expectations Index—based on consumers’ short-term outlook for income, business, and labor market conditions—improved in July to 78.2. That’s up from 72.8 in June but still below 80 (the threshold which usually signals a recession ahead).”

Institute for Supply Management

Thursday, [Manufacturing Purchasing Managers' Index \(PMI\)](#): “After months of Manufacturing ISM Report On Business data that reflected a lengthy slump but at least stability, the July numbers dropped on Thursday morning with a disturbingly deep thud that resonated across the economic landscape. The composite PMI reading of 46.8 percent helped send the Dow Jones Industrial Average down 500 points and 10-year treasury yields below 4 percent. There was very little positive movement in the subindex readings, and amid lower-than-expected employment data this week, sentiment emerged that the ISM manufacturing report was a pivotal one.”

S&P Global

Thursday, [U.S. Manufacturing PMI](#): “The start of the third quarter saw a deterioration in business conditions at U.S. manufacturers as new orders declined for the first time in three months. Work on outstanding business and a near-record replenishment of stocks of finished goods helped to keep output rising, although the pace of expansion was only marginal. Employment also rose at a slower pace. . . . The seasonally adjusted S&P Global U.S. Manufacturing PMI fell to 49.6 in July from 51.6 in June, below the 50.0 no-change mark for the first time in seven months.”

Thursday, [J.P.Morgan Global Manufacturing PMI](#): “The global manufacturing sector experienced a growth setback at the start of the second half of 2024, with July seeing output expand at the weakest rate in the current seven-month sequence of increases. The slowdown reflected weaker expansions in the U.S. and China, an ongoing downturn in the euro area and a fall back into contraction in Japan. . . . The J.P.Morgan Global Manufacturing PMI. . . . posted 49.7 in July, down from 50.8 in June and below the neutral 50.0 mark separating expansion from contraction for the first time in 2024 so far.”

Employment and Businesses:

ADP

Wednesday, [National Employment Report](#): “Private sector employment increased by 122,000 jobs in July and annual pay was up 4.8 percent year-over-year, according to the July ADP National Employment Report. . . . The June total of jobs added was revised from 150,000 to 155,000.”

Challenger, Gray, & Christmas

Thursday, [Job Cuts Report](#): “U.S.-based employers announced 25,885 job cuts in July, a 47 percent decrease from the 48,786 cuts announced one month prior. It is up 9 percent from the 23,697 cuts announced in the same month in 2023. . . . July’s total marks the fourth time this year cuts were higher than the corresponding month a year earlier.”

Paychex | IHS Markit

Tuesday, [Small Business Employment Watch](#): “Hourly earnings growth for U.S. workers in businesses with fewer than 50 employees has held steady since May, reporting 3.16 percent growth in July, and weekly earnings growth remains below three percent for the sixth consecutive month. The Small Business Jobs Index has reported moderate gains on average through the first seven months of 2024.”

Mortgages and Housing Markets:

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “Mortgage rates declined to their lowest level since early February,’ said Sam Khater, Freddie Mac’s chief economist. . . . The 30-year fixed-rate mortgage (FRM) averaged 6.73 percent as of August 1, 2024, down from last week when it averaged 6.78 percent. A year ago at this time, the 30-year FRM averaged 6.90 percent.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications decreased 3.9 percent from one week earlier, according to data. . . . for the week ending July 26, 2024. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$766,550 or less) remained unchanged at 6.82 percent.”

National Association of Realtors

Wednesday, [Pending Home Sales Index \(PHSI\)](#): “Pending home sales in June ascended 4.8 percent.” The PHSI “grew to 74.3 in June. Year over year, pending transactions were down 2.6 percent.”