

Economic Update, August 16, 2024
Submitted by Michael Mount

Summary: The consumer price index increased by only 0.2 percent in July, good enough for an annual inflation rate of 2.9 percent, continuing a downward trend in the annual rate since March. Inflation is expected to decrease further if the Federal Reserve maintains its current policies, according to Fed Governor Michelle Bowman, and the New York Fed’s survey of consumer expectations found that over the medium term, consumers expect inflation to decrease to 2.3 percent. Retail sales came in strong, led by auto sales. However, building permits for residential housing decreased, and the Atlanta Fed’s unofficial estimate of current real GDP growth fell from 2.4 percent to 2.0 percent.

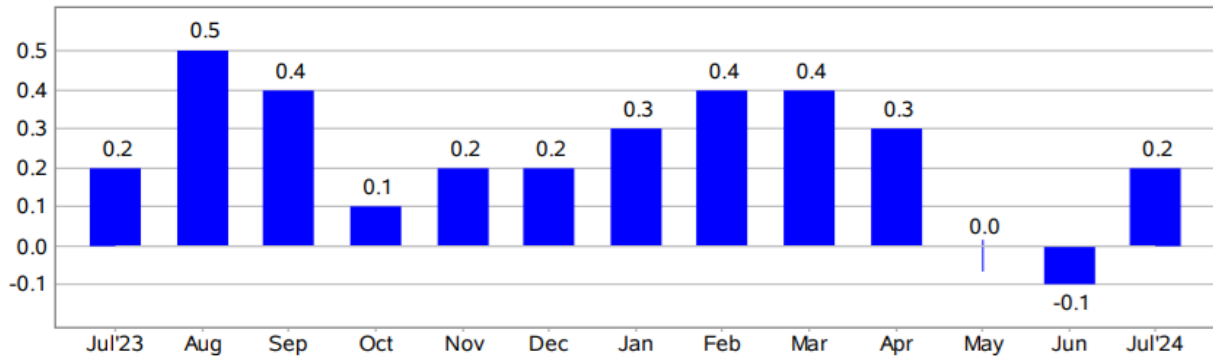
Federal Government Indicators and Reports

Bureau of Labor Statistics

Tuesday, [Producer Price Index](#): The index “increased 0.1 percent in July.” Goods increased 0.6 percent, while services decreased 0.2 percent. “The index for final demand advanced 2.2 percent for the 12 months ended in July.”

Wednesday, [Consumer Price Index](#): The index “increased 0.2 percent on a seasonally adjusted basis, after declining 0.1 percent in June. . . . Over the last 12 months, the all items index increased 2.9 percent before seasonal adjustment.”

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

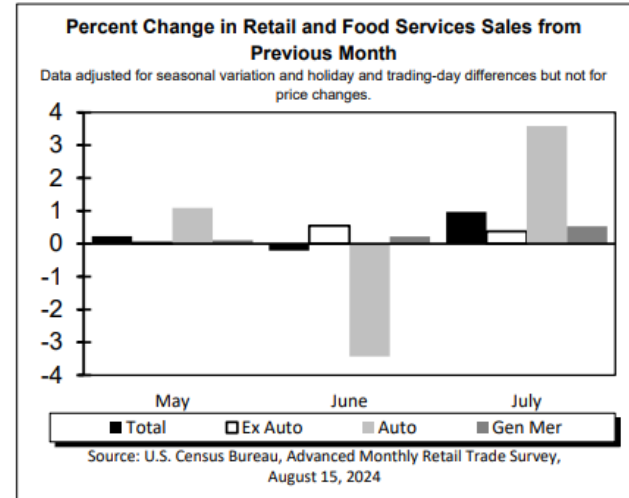


Thursday, [Import and Export Prices](#): “Prices for U.S. imports ticked up 0.1 percent in July, after being unchanged the previous month. . . . U.S. export prices increased 0.7 percent in July following a 0.3-percent decline in June.”

U.S. Census

Thursday, [Retail Sales](#): “Advance estimates of U.S. retail and food services sales for July 2024 . . . were \$709.7 billion, an increase of 1.0 percent from the previous month, and up 2.7 percent from July 2023.” Auto sales rebounded, increasing nearly 4 percent in July.

| ADVANCE MONTHLY SALES | | |
|--|-----------------|--------|
| July 2024 | \$709.7 billion | 1.0% |
| June 2024 (revised) | \$702.9 billion | -0.2%* |
| Next release: September 17, 2024 | | |
| <small>* 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, Advanced Monthly Retail Trade Survey, August 15, 2024</small> | | |



Department of Labor

Thursday, [Initial Claims](#): “In the week ending August 10, the advance figure for seasonally adjusted initial claims was 227,000, a decrease of 7,000 from the previous week’s revised level.”

Economic Indicators and Confidence

Federal Reserve

Saturday, [Bowman Speech](#): Speaking at the 2024 CEO and Senior Management Summit and Annual Meeting, sponsored by the Kansas Bankers Association, Fed Governor Michelle Bowman said, “My baseline outlook is that inflation will decline further with the current stance of monetary policy. Should the incoming data continue to show that inflation is moving sustainably toward our 2 percent goal, it will become appropriate to gradually lower the federal funds rate to prevent monetary policy from becoming overly restrictive on economic activity and employment.”

Monday, [Consumer Expectations](#): “Inflation expectations were stable at the short- and longer-term horizons but fell sharply at the medium-term horizon to a new series low (2.3 percent). Labor market expectations were mixed, with respondents expecting lower earnings growth and a lower likelihood of finding a new job within three months if they were laid off.”

Thursday, [Industrial Production](#): “Industrial production fell 0.6 percent in July after increasing 0.3 percent in June. Early July shutdowns concentrated in the petrochemical and related industries due to Hurricane Beryl held down the growth of industrial production by an estimated 0.3 percentage point. . . . Capacity utilization moved down to 77.8 percent in July, a rate that is 1.9 percentage points below its long-run (1972–2023) average.”

Friday, [GDPNow](#): The Atlanta Fed’s “nowcast” of GDP decreased from 2.4 percent to 2.0 percent on Friday. The nowcast “is not an official forecast of the Atlanta Fed. Rather, it is best viewed as a running estimate of real GDP growth based on available economic data for the current measured quarter.”

University of Michigan

Friday, [Consumer Sentiment](#): “Consumer sentiment was essentially unchanged for the fourth consecutive month, inching up 1.4 index points. . . . Year-ahead inflation expectations came in at 2.9 percent for the second straight month.”

NFIB

Tuesday, [Small Business Optimism](#): The index “rose 2.2 points in July to 93.7, the highest reading since February 2022. However, this is the 31st consecutive month below the 50-year average of 98. Inflation remains the top issue among small business owners, with 25 percent reporting it as their single most important problem in operating their business, up four points from June.”

Mortgages and Housing Markets

National Association of Home Builders

Thursday, [Housing Market Index](#): “Builder confidence in the market for new single-family homes fell to 39 in August, down two points from a downwardly revised reading of 41 in July. This is the lowest reading since December 2023. A lack of affordability and buyer hesitation stemming from elevated interest rates and high home prices contributed to the continued decline in builder sentiment.”

U.S. Census

Friday, [New Residential Construction](#): “Privately-owned housing units authorized by building permits in July were at a seasonally adjusted annual rate of 1,396,000. This is 4.0 percent below the revised June rate of 1,454,000 and is 7.0 percent below the July 2023 rate of 1,501,000.”