

Economic Update, September 1, 2023

Submitted by Chris Belden

Summary: In what some may see as a sign that higher interest rates are starting to have an effect on the broader economy, the unemployment rate rose to 3.8 percent in July, up from 3.5 percent the month prior. However, consumer spending increased by 0.8 percent in the same month and GDP was estimated to have increased by 2.1 percent in the second quarter of 2023—both conventional signs of economic growth. Along with a 3.3 percent increase in the Personal Consumption Expenditures Index (the Federal Reserve’s preferred measure of inflation), it’s believed that the Fed will keep interest rates unchanged at its next meeting later this month.

Federal Government Indicators and Reports

U.S. Census Bureau

Wednesday, [Advance Economic Indicators](#): “The international trade deficit was \$91.2 billion in July, up \$2.3 billion from \$88.8 billion in June. . . . Wholesale inventories for July . . . were estimated at an end-of-month level of \$903.1 billion, down 0.1 percent from June 2023, and were up 0.5 percent from July 2022. . . . Retail inventories for July . . . were estimated at an end-of-month level of \$784.1 billion, up 0.3 percent from June 2023, and were up 4.5 percent from July 2022.”

Friday, [Construction Spending](#): “Construction spending during July 2023 was estimated at a seasonally adjusted annual rate of \$1,972.6 billion, 0.7 percent above the revised June estimate of \$1,958.9 billion. The July figure is 5.5 percent above the July 2022 estimate of \$1,869.3 billion.”

Bureau of Labor Statistics

Tuesday, [Job Openings and Labor Turnover Survey](#): “The number of job openings edged down to 8.8 million on the last business day of July. . . . Over the month, the number of hires and total separations changed little at 5.8 million and 5.5 million, respectively. Within separations, quits (3.5 million) decreased, while layoffs and discharges (1.6 million) changed little.”

Wednesday, [Metropolitan Area Employment and Unemployment](#): “Unemployment rates were lower in July than a year earlier in 192 of the 389 metropolitan areas, higher in 176 areas, and unchanged in 21 areas.” In Tennessee, the civilian labor force increased to 3,419,126 in July 2023 from 3,364,137 in July 2022. Tennessee’s unemployment rate stood at 3.7 percent in July, level with July of the previous year.

Friday, [Employment Situation](#): “Total nonfarm payroll employment increased by 187,000 in August, and the unemployment rate rose to 3.8 percent. . . . Employment continued to trend up in health care, leisure and hospitality, social assistance, and construction. Employment in transportation and warehousing declined.”

Chart 1. Unemployment rate, seasonally adjusted, August 2021 – August 2023

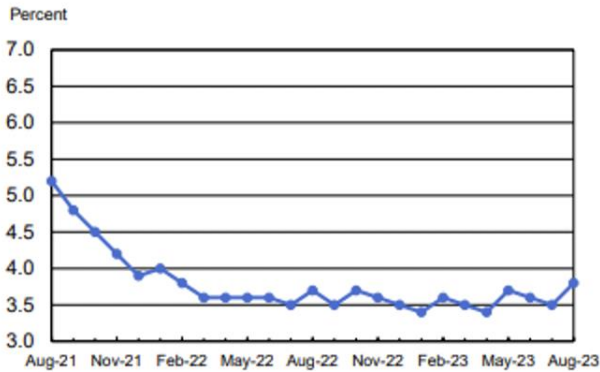
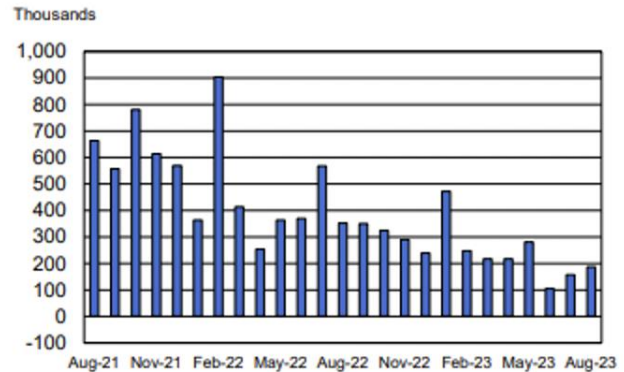


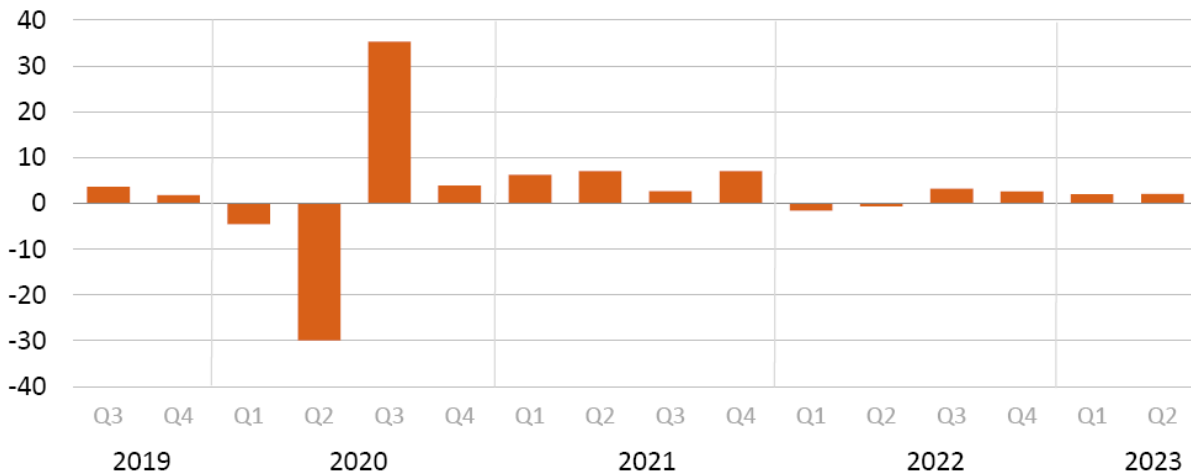
Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, August 2021 – August 2023



Bureau of Economic Analysis

Wednesday, [Gross Domestic Product \(Second Estimate\)](#): “Real gross domestic product (GDP) increased at an annual rate of 2.1 percent in the second quarter of 2023 according to the ‘second’ estimate released by the Bureau of Economic Analysis. In the first quarter, real GDP increased 2.0 percent. . . . The increase in real GDP reflected increases in consumer spending, nonresidential fixed investment, state and local government spending, and federal government spending that were partly offset by decreases in exports, residential fixed investment, and private inventory investment.”

Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted annual rates

Thursday, [Personal Income and Outlays](#): “Personal income increased \$45.0 billion (0.2 percent at a monthly rate) in July. . . . Personal consumption expenditures (PCE) increased \$144.6 billion (0.8 percent). . . . The PCE price index increased 0.2 percent. Excluding food and energy, the PCE price index increased 0.2 percent. . . . From the same month one year ago, the PCE price index for July increased 3.3 percent.”

	2023				
	Mar.	Apr.	May	June	July
	Percent change from preceding month				
Personal income:					
Current dollars	0.4	0.3	0.4	0.3	0.2
Disposable personal income:					
Current dollars	0.5	0.5	0.5	0.2	0.0
Chained (2012) dollars	0.3	0.2	0.4	0.0	-0.2
Personal consumption expenditures (PCE):					
Current dollars	0.1	0.6	0.2	0.6	0.8
Chained (2012) dollars	0.0	0.3	0.1	0.4	0.6
Price indexes:					
PCE	0.1	0.3	0.1	0.2	0.2
PCE, excluding food and energy	0.3	0.3	0.3	0.2	0.2
Price indexes: Percent change from month one year ago					
PCE	4.2	4.3	3.8	3.0	3.3
PCE, excluding food and energy	4.6	4.6	4.5	4.1	4.2

Department of Labor

Thursday, [Weekly Initial Claims](#): “In the week ending August 26, the advance figure for seasonally adjusted initial claims was 228,000, a decrease of 4,000 from the previous week's revised level. . . . The 4-week moving average was 237,500, an increase of 250 from the previous week's revised average.”

Economic Indicators and Confidence

The Conference Board

Tuesday, [Consumer Confidence Index](#): “The Conference Board Consumer Confidence Index® declined in August to 106.1 (1985=100), from a downwardly revised 114.0 in July. The Present Situation Index—based on consumers’ assessment of current business and labor market conditions—fell to 144.8 (1985=100) from 153.0. The Expectations Index—based on consumers’ short-term outlook for income, business, and labor market conditions—declined to 80.2 (1985=100) in August, reversing July’s sharp uptick to 88.0.”

Institute for Supply Management

Friday, [Manufacturing PMI](#): “The August Manufacturing PMI® registered 47.6 percent, 1.2 percentage points higher than the 46.4 percent recorded in July. Regarding the overall economy, this figure indicates a ninth month of contraction after a 30-month period of expansion.”

Mortgages and Housing Markets

S&P Global

Tuesday, [Case-Shiller Home Price Index](#): “The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, reported 0.0 percent annual change in June, up from a loss of -0.4 percent in the previous month.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications increased 2.3 percent from one week earlier.” Joel Kan, MBA’s vice president and deputy chief economist, said: “Mortgage rates were mostly unchanged last week, with the 30-year fixed rate remaining at 7.31 percent—the highest since December 2000. . . . Mortgage applications for home purchases and refinances increased for the first time in five weeks but remained at low levels. Purchase applications increased but were still 27 percent lower than a year ago, as elevated mortgage rates and tight housing inventory continue to weigh on home buying activity.”

National Association of Realtors

Wednesday, [Pending Home Sales](#): “Pending home sales improved in July, up 0.9 percent from June. . . . Month over month, contract signings increased in the South and West but decreased in the Northeast and Midwest. . . . Pending home sales fell in all four U.S. regions compared to one year ago.” Lawrence Yun, NAR’s chief economist, said: “The small gain in contract signings shows the potential for further increases in light of the fact that many people have lost out on multiple home buying offers. Jobs are being added and, thereby, enlarging the pool of prospective home buyers. However, rising mortgage rates and limited inventory have temporarily hindered the possibility of buying for many.”