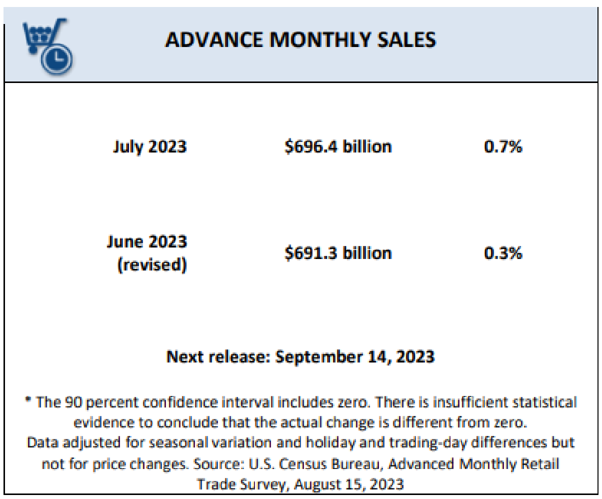
Economic Update, August 18, 2023
Submitted by Michael Mount

Summary: Some of the best news this week was that retail sales were strong, increasing 0.7 percent from June to July 2023. In Tennessee, the unemployment rate reached a record low of 3.1 percent. Other news was not as good. Although U.S. GDP growth remained positive in the first half of 2023, the leading index decreased 0.4 percent and indicates that a recession remains possible. The 30-year mortgage rate increased to 7.16 percent, the highest rate since 2001, while building permits for new residential construction were up slightly but were still well below where they were last year.

Federal Government Indicators and Reports

U.S. Census

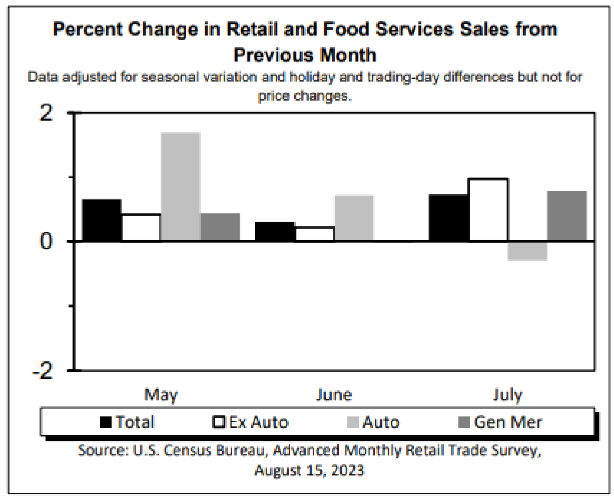
Tuesday, Retail Sales: "Advance estimates of U.S. retail and food services sales for July 2023, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $696.4 billion, up 0.7 percent from the previous month, and up 3.2 percent above July 2022."


ADVANCE MONTHLY SALES

July 2023	**$696.4 billion**	**0.7%**
June 2023 (revised)	**$691.3 billion**	**0.3%**

Next release: September 14, 2023

* 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, 2023



Tuesday, Business Inventories: "Manufacturers' and trade inventories for June . . . were estimated at an end-of-month level of $2,541.1 billion, virtually unchanged from May 2023, but were up 2.0 percent from June 2022. . . . The total business inventories/sales ratio based on seasonally adjusted data at the end of June was 1.40. The June 2022 ratio was 1.33."

Bureau of Labor Statistics

Tuesday, Import and Export Prices: "Prices for U.S. imports advanced 0.4 percent in July following a 0.1-percent decline the previous month. . . . The July increase was driven by higher fuel prices. U.S. export prices rose 0.7 percent in July, after decreasing 0.7 percent in June."

U.S. Treasury

Tuesday, International Capital: "The sum total in June of all net foreign acquisitions of long-term securities, short-term U.S. securities, and banking flows was a net TIC inflow of $147.8 billion. . . . [O]verall net foreign purchases of long-term securities are estimated to have been $195.9 billion in June."

Department of Labor

Thursday, Initial Unemployment Claims: "In the week ending August 12, the advance figure for seasonally adjusted initial claims was 239,000, a decrease of 11,000 from the previous week's revised level. The previous week's level was revised up by 2,000 from 248,000 to 250,000."

Economic Indicators and Confidence

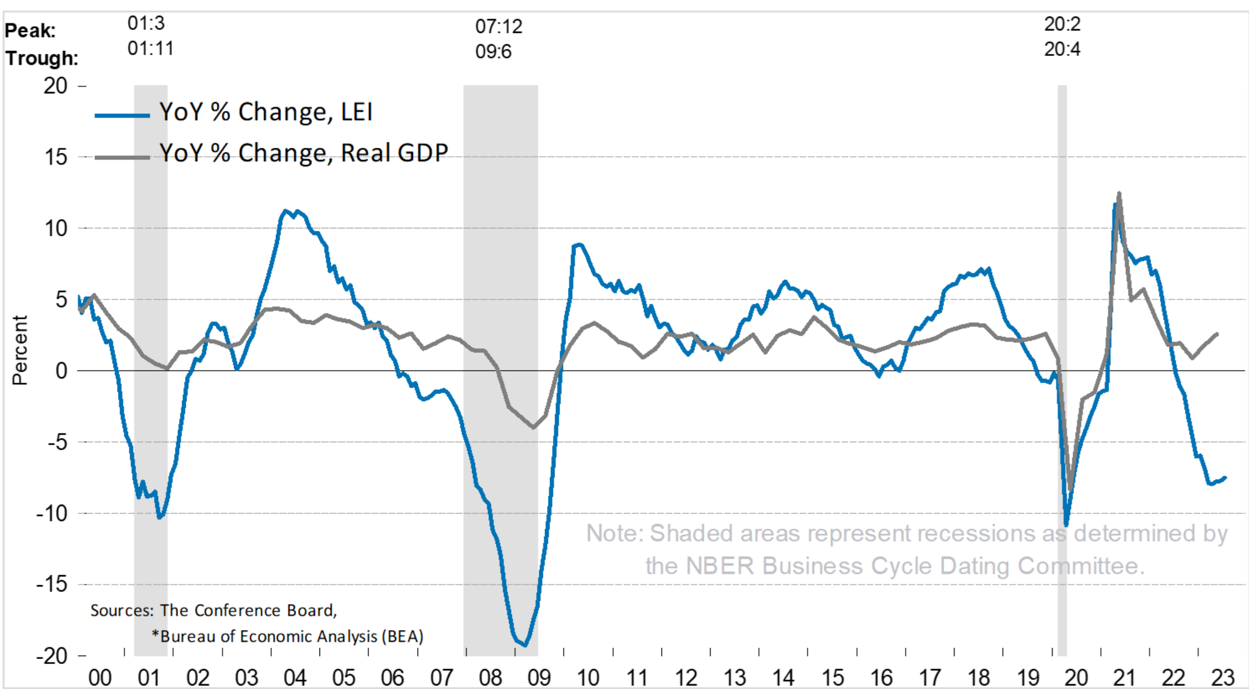
Federal Reserve

Monday, Consumer Inflation Expectations: "Median inflation expectations declined across all three horizons, falling from 3.8 percent to 3.5 percent at the one-year-ahead horizon and from 3.0 percent to 2.9 percent at both the three-year and five-year-ahead horizons. . . . Median home price growth expectations decreased from 2.9 percent in June to 2.8 percent in July, remaining well above the series 12-month trailing average of 2.0 percent."

Wednesday, Minutes of the Federal Open Market Committee: "The information available at the time of the July 25–26 meeting suggested that real gross domestic product (GDP) rose at a moderate pace over the first half of the year. The labor market remained very tight, though the imbalance between demand and supply in the labor market was gradually diminishing. Consumer price inflation—as measured by the 12-month percent change in the price index for PCE—remained elevated in May, and available information suggested that inflation declined but remained elevated in June."

Wednesday, Industrial Production: "In July, total industrial production increased 1.0 percent following declines in the previous two months. Manufacturing output rose 0.5 percent in July; the production of motor vehicles and parts jumped 5.2 percent, while factory output elsewhere edged up 0.1 percent. . . . Capacity utilization moved up to 79.3 percent in July, a rate that is 0.4 percentage point below its long-run (1972–2022) average."

Thursday, Leading Economic Index: The index "declined by 0.4 percent in July 2023 to 105.8 (2016=100), following a decline of 0.7 percent in June. The LEI is down 4.0 percent over the six-month period between January and July 2023—a slight deterioration from its 3.7 percent contraction over the previous six months (July 2022 to January 2023)."



Mortgages and Housing Markets

National Home Buidlers Association

Tuesday, Housing Market Index: The index decreased from 56 to 50 from July to August 2023. For the South region of the United States, the index moving average remained at 58.

Mortgage Bankers Association

Wednesday, Mortgage Applications: "Mortgage applications decreased 0.8 percent from one week earlier." Joel Kan, MBA's vice president and deputy chief economist, said: "Treasury rates were elevated again last week following mixed data on inflation and more indication of resiliency in the economy, which may pose a challenge to the Federal Reserve's efforts to lower inflation. The 30-year fixed mortgage rate increased for the third straight week, reaching 7.16 percent, matching October 2022's rate and the highest rate since 2001."

U.S. Census

Wednesday, New Residential Construction: "Privately-owned housing units authorized by building permits in July were at a seasonally adjusted annual rate of 1,442,000. This is 0.1 percent above the revised June rate of 1,441,000, but is 13.0 percent below the July 2022 rate of 1,658,000."