

Economic Update, August 4, 2023

Submitted by Chris Belden

Summary: The jobs report released this week showed that 187,000 jobs were added in July, lower than the average over the past year. Yet the unemployment rate decreased slightly to 3.5 percent, demonstrating that while the labor market is slowly beginning to ease, it still remains strong. The unemployment rate in Tennessee also proved resilient at 3.8 percent.

Federal Government Indicators and Reports

Census Bureau

Tuesday, [Construction Spending](#): “Construction spending during June 2023 was estimated at a seasonally adjusted annual rate of \$1,938.4 billion, 0.5 percent above the revised May estimate of \$1,929.6 billion. The June figure is 3.5 percent above the June 2022 estimate of \$1,873.2 billion. During the first six months of this year, construction spending amounted to \$917.4 billion, 3.0 percent above the \$890.4 billion for the same period in 2022.”

Thursday, [Manufacturers’ Shipments, Inventories, and Orders \(Full Report\)](#): “New orders for manufactured goods in June, up six of the last seven months, increased \$13.4 billion or 2.3 percent to \$592.0 billion. . . . Shipments, up two consecutive months, increased \$0.7 billion or 0.1 percent to \$573.9 billion. . . . Unfilled orders, up six of the last seven months, increased \$23.1 billion or 1.8 percent to \$1,325.1 billion.”

Bureau of Labor Statistics

Tuesday, [Job Openings and Labor Turnover Summary](#): “The number of job openings was little changed at 9.6 million on the last business day of June. . . . Over the month, the number of hires and total separations decreased to 5.9 million and 5.6 million, respectively. Within separations, quits (3.8 million) decreased, while layoffs and discharges (1.5 million) changed little.”

Wednesday, [Metropolitan Area Employment and Unemployment](#): “Unemployment rates were lower in June than a year earlier in 222 of the 389 metropolitan areas, higher in 119 areas, and unchanged in 48 areas.” In Tennessee, the civilian labor force increased to 3,403,871 in June 2023 from 3,389,546 in June 2022. Tennessee’s unemployment rate stood at 3.8 percent in June, down from 4.0 percent in June of the previous year.

Tennessee.....	3,375,814	3,371,150	3,389,546	3,403,871	106,909	109,260	135,982	129,617	3.2	3.2	4.0	3.8
Chattanooga.....	273,959	276,714	275,206	278,933	8,412	8,961	10,508	10,700	3.1	3.2	3.8	3.8
Clarksville.....	119,390	120,629	119,910	121,639	4,539	4,746	5,635	5,471	3.8	3.9	4.7	4.5
Cleveland.....	57,495	57,057	58,002	57,876	1,895	2,018	2,489	2,402	3.3	3.5	4.3	4.2
Jackson.....	65,016	64,087	65,142	64,583	2,039	2,094	2,554	2,385	3.1	3.3	3.9	3.7

State and area	Civilian labor force				Unemployed							
	May		June		Number				Percent of labor force			
	2022	2023	2022	2023 ^P	May		June		May		June	
					2022	2023	2022	2023 ^P	2022	2023	2022	2023 ^P
Tennessee - Continued												
Johnson City.....	93,134	92,410	92,836	92,834	3,047	3,168	3,871	3,720	3.3	3.4	4.2	4.0
Kingsport-Bristol-Bristol.....	135,764	137,869	135,705	138,650	4,501	4,518	5,591	5,360	3.3	3.3	4.1	3.9
Knoxville.....	442,943	443,846	445,169	450,516	13,099	13,260	17,102	16,098	3.0	3.0	3.8	3.6
Memphis.....	635,439	625,059	638,889	631,780	24,292	23,694	30,969	28,905	3.8	3.8	4.8	4.6
Morristown.....	53,415	53,139	53,740	53,878	1,822	1,802	2,361	2,188	3.4	3.4	4.4	4.1
Nashville-Davidson--Murfreesboro--Franklin.....	1,131,151	1,143,591	1,138,845	1,155,292	29,893	30,735	37,042	34,903	2.6	2.7	3.3	3.0

Thursday, [Quarterly Productivity and Costs](#): “Nonfarm business sector labor productivity increased 3.7 percent in the second quarter of 2023 . . . as output increased 2.4 percent and hours worked decreased 1.3 percent. The decline in hours worked is the first decline since the second quarter of 2020 and was the result of a 1.3-percent decline in average weekly hours; employment was unchanged. From the same quarter a year ago, nonfarm business sector labor productivity increased 1.3 percent, reflecting a 2.6-percent increase in output and a 1.2-percent increase in hours worked; this is the first increase in the four-quarter productivity measure since the fourth quarter of 2021.”

Friday, [Employment Situation](#): “Total nonfarm payroll employment rose by 187,000 in July, and the unemployment rate changed little at 3.5 percent. . . . [The July gain was] less than the average monthly gain of 312,000 over the prior 12 months. In July, job gains occurred in health care, social assistance, financial activities, and wholesale trade.”

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

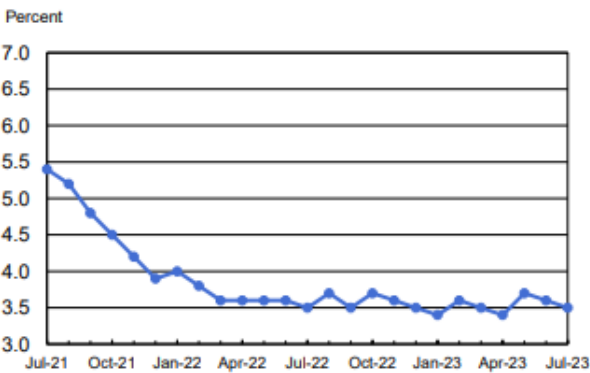
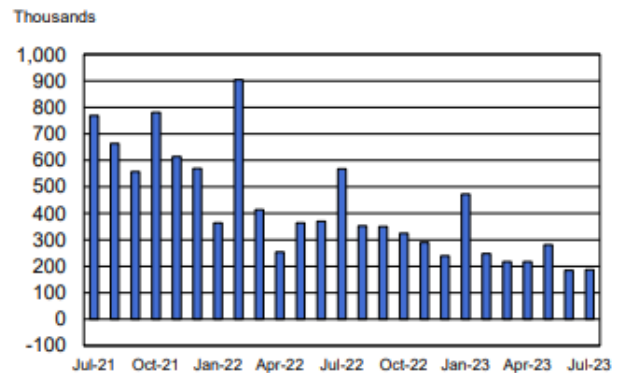


Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, July 2021 – July 2023



Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending July 29, the advance figure for seasonally adjusted initial claims was 227,000, an increase of 6,000 from the previous week's unrevised level of 221,000. The 4-week moving average was 228,250, a decrease of 5,500 from the previous week's unrevised average of 233,750.”

Economic Indicators and Confidence

Institute for Supply Management

Tuesday, [Manufacturing Purchasing Managers Index \(PMI\)](#): “The July Manufacturing PMI registered 46.4 percent, 0.4 percentage point higher than the 46 percent recorded in June. Regarding the overall economy, this figure indicates an eighth month of contraction after a 30-month period of expansion.”

Thursday, [Services PMI](#): “In July, the Services PMI registered 52.7 percent, 1.2 percentage points lower than June’s reading of 53.9 percent. The composite index indicated growth in July for the seventh consecutive month after a reading of 49.2 percent in December, which was the first contraction since June 2020 (45.4 percent).”

S&P Global

Thursday, [U.S. Sector PMI](#): “July data signaled an increase in business activity across five out of seven U.S. sectors monitored by the survey, matching that seen in June. However, only Healthcare saw a faster rate of output expansion than in the previous month.”

Mortgages and Housing Markets

Census Bureau

Tuesday, [Housing Vacancies and Homeownership](#): “National vacancy rates in the second quarter 2023 were 6.3 percent for rental housing and 0.7 percent for homeowner housing. The rental vacancy rate was higher than the rate in the second quarter 2022 (5.6 percent) and not statistically different than the rate in the first quarter 2023 (6.4 percent). . . . The homeowner vacancy rate of 0.7 percent was lower than the rate in the second quarter 2022 (0.8 percent) and not statistically different than the rate in the first quarter 2023 (0.8 percent). . . . The homeownership rate of 65.9 percent was not statistically different from the rate in the second quarter 2022 (65.8 percent) and not statistically different from the rate in the first quarter 2023 (66.0 percent).”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage rates edged higher last week, with the 30-year fixed mortgage rate’s increase to 6.93 percent leading to another decline in overall applications,” according to Joel Kan, MBA’s vice president and deputy chief economist “The purchase index decreased for the third straight week to its lowest level since the beginning of June and remains 26 percent behind last year’s levels. The decline in purchase activity was driven mainly by weaker conventional purchase application volume, as limited housing inventory and rates still close to 7 percent are crimping affordability for many potential homebuyers.”