

Economic Update, September 8, 2023

Submitted by Chris Belden

Summary: In a light week for economic news, the U.S. services sector grew in August, according to the Institute for Supply Management, but other measures of the service sector were less rosy, with S&P Global reporting that “business activity increased only fractionally and at the slowest pace in the current seven-month sequence of expansion.” In its Beige Book, which provides a summary of economic conditions, the Federal Reserve observed that “economic growth was modest during July and August,” with consumer spending on tourism “stronger than expected.” According to the Fed, “The inventory of homes for sale remained constrained,” and the “construction of affordable housing units was increasingly challenged by higher financing costs and rising insurance premiums.” Mortgage applications declined to their lowest level in over 26 years, according to the Mortgage Bankers Association.

Federal Government Indicators and Reports

U.S. Census Bureau

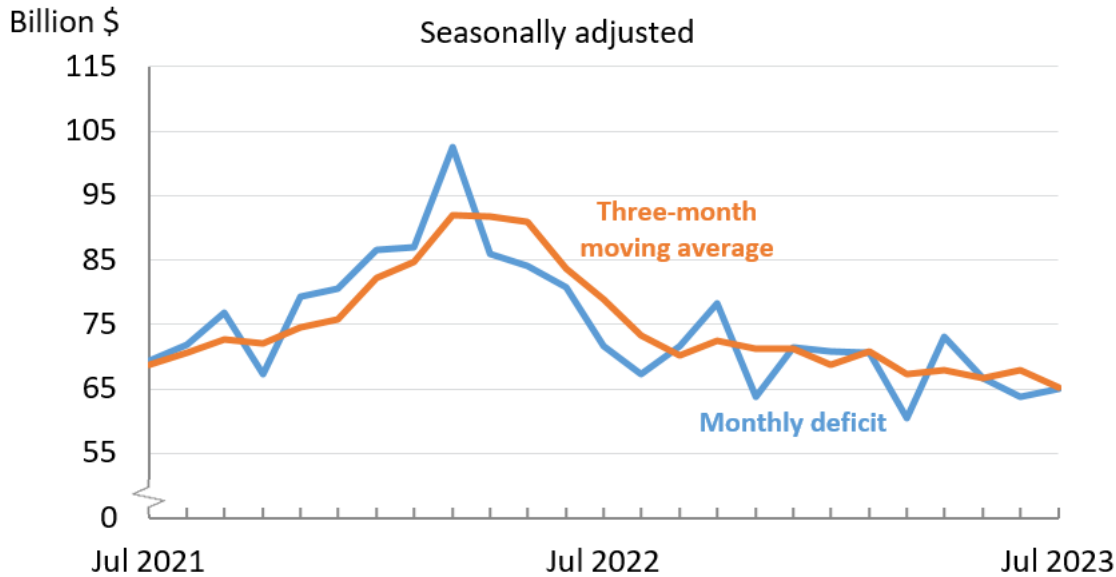
Tuesday, [Manufacturers’ Shipments, Inventories, and Orders \(Full Report\)](#): “New orders for manufactured goods in July, down following four consecutive monthly increases, decreased \$12.7 billion or 2.1 percent to \$579.4 billion. . . . This followed a 2.3 percent June increase. Shipments, up three consecutive months, increased \$2.9 billion or 0.5 percent to \$577.2 billion. This followed a 0.2 percent June increase. Unfilled orders, up seven of the last eight months, increased \$7.2 billion or 0.5 percent to \$1,332.0 billion.”

Wednesday, [Quarterly Profits—Manufacturers](#): “U.S. manufacturing corporations’ seasonally adjusted after-tax profits in the second quarter of 2023 totaled \$206.1 billion, down \$21.8 billion from the after-tax profits of \$227.9 billion recorded in the first quarter of 2023, and down \$64.3 billion from the after-tax profits of \$270.4 billion recorded in the second quarter of 2022.”

Wednesday, [Quarterly Profits—Retailers](#): “Seasonally adjusted after-tax profits of U.S. retail corporations with assets of \$50 million and over totaled \$52.5 billion, up \$18.9 billion from the \$33.6 billion recorded in the first quarter of 2023, and up \$11.0 billion from the \$41.5 billion recorded in the second quarter of 2022.”

Wednesday, [U.S. International Trade in Goods and Services](#): “The goods and services deficit was \$65.0 billion in July, up \$1.3 billion from \$63.7 billion in June. . . . July exports were \$251.7 billion, \$3.9 billion more than June exports. July imports were \$316.7 billion, \$5.2 billion more than June imports.”

Goods and Services Trade Deficit



U.S. Bureau of Economic Analysis
U.S. Census Bureau

U.S. International Trade in Goods and Services
September 6, 2023

Bureau of Labor Statistics

Thursday, [Productivity and Costs](#): “Nonfarm business sector labor productivity increased 3.5 percent in the second quarter of 2023 . . . reflecting a 0.2-percentage point downward revision from the preliminary estimate. . . . Unit labor costs in the nonfarm business sector increased 2.2 percent in the second quarter of 2023, reflecting a 5.7-percent increase in hourly compensation and a 3.5-percent increase in productivity.”

Department of Labor

Thursday, [Weekly Initial Claims](#): “In the week ending September 2, the advance figure for seasonally adjusted initial claims was 216,000, a decrease of 13,000 from the previous week’s revised level. . . . The 4-week moving average was 229,250, a decrease of 8,500 from the previous week’s revised average.” In Tennessee, initial claims for the week ending September 2 were 2,348, an increase of 116 from the week prior.

Federal Reserve

Wednesday, [Beige Book](#): “Contacts from most Districts indicated economic growth was modest during July and August. Consumer spending on tourism was stronger than expected, surging during what most contacts considered the last stage of pent-up demand for leisure travel from the pandemic era. But other retail spending continued to slow, especially on non-essential items. Some Districts highlighted reports suggesting consumers may have exhausted their savings and are relying more on borrowing to support spending. . . . Nearly all Districts reported the inventory of homes for sale remained constrained. . . . Multiple Districts noted that construction of affordable housing units was increasingly challenged by higher financing costs and rising insurance premiums.”

Economic Indicators and Confidence

S&P Global

Wednesday, [U.S. Services PMI](#): “The U.S. services economy reported a slowdown in growth in August. . . . Business activity increased only fractionally and at the slowest pace in the current seven-month sequence of expansion. A weaker rise in output was primarily driven by a renewed contraction in new business, as client demand was reported to have been dampened by interest rate hikes and elevated inflation.” According to Chris Williamson, chief business economist at S&P Global Market Intelligence, “While a post-pandemic revival of travel, recreation, and hospitality spend contributed to an improved economic performance in the spring and early summer, this tailwind is losing momentum.”

Institute for Supply Management

Wednesday, [Services PMI](#): “Economic activity in the services sector expanded in August for the eighth consecutive month as the Services PMI registered 54.5 percent. . . . The sector has grown in 38 of the last 39 months, with the lone contraction in December of last year.”

Mortgages and Housing Markets

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications decreased 2.9 percent from one week earlier.” Joel Kan, MBA’s vice president and deputy chief economist, said, “Mortgage applications declined to the lowest level since December 1996, despite a drop in mortgage rates. Both purchase and refinance applications fell, with the purchase index hitting a 28-year low, as prospective buyers remain on the sidelines due to low housing inventory and elevated mortgage rates.”