

## Economic Update, July 14, 2023

Submitted by Chris Belden

Summary: Inflation cooled in June to 3.0 percent, the lowest rate in over two years, as prices for goods such as used cars and airline fares decreased. Core inflation, which excludes volatile food and energy prices, also showed promising signs, coming in at 0.2 percent in June, the lowest rate since August of 2021. [According to Reuters](#), “Core inflation is expected to continue receding in the months ahead, with the labor market cooling and independent measures showing rents on a downward trend.” However, the Federal Reserve is still expected to raise interest rates at its meeting later this month, as inflation is still above the Fed’s target rate of two percent. Additionally, consumers’ confidence in the economy has begun to rebound, with the University of Michigan’s Consumer Sentiment increasing by 13 percent over the previous month.

### **Federal Government Indicators and Reports:**

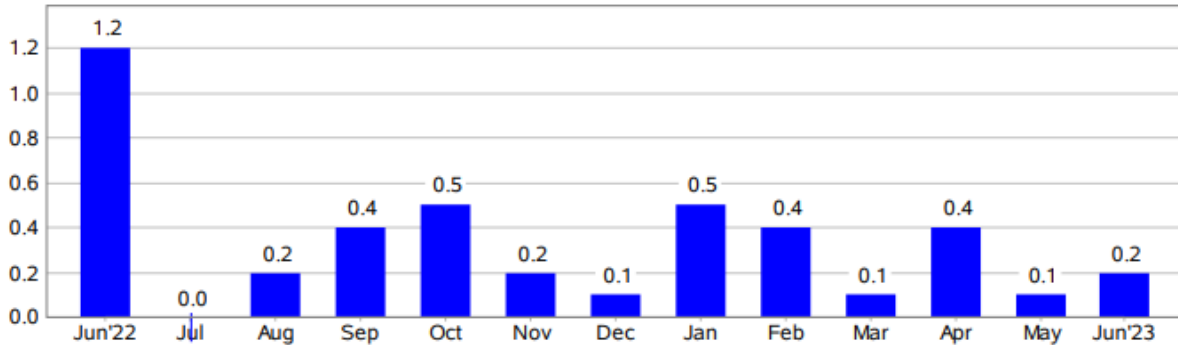
#### Census Bureau

Monday, [Monthly Wholesale Trade](#): “May 2023 sales of merchant wholesalers . . . were \$650.2 billion, down 0.2 percent from the revised April level and were down 4.0 percent from the revised May 2022 level. . . . Total inventories of merchant wholesalers . . . were \$913.7 billion at the end of May, virtually unchanged from the revised April level. Total inventories were up 3.7 percent from the revised May 2022 level.”

#### Bureau of Labor Statistics

Wednesday, [Consumer Price Index](#): “The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.2 percent in June on a seasonally adjusted basis, after increasing 0.1 percent in May. . . . The index for all items less food and energy rose 0.2 percent in June, the smallest 1-month increase in that index since August 2021. . . . The all items index increased 3.0 percent for the 12 months ending June; this was the smallest 12-month increase since the period ending March 2021. The all items less food and energy index rose 4.8 percent over the last 12 months.”

**Chart 1. One-month percent change in CPI for All Urban Consumers (CPI-U), seasonally adjusted, June 2022 - June 2023**  
Percent change



Wednesday, [Real Earnings](#): “Real average hourly earnings for all employees increased 0.2 percent from May to June, seasonally adjusted. . . . This result stems from an increase of 0.4 percent in average hourly earnings combined with an increase of 0.2 percent in the Consumer Price Index for All Urban Consumers (CPI-U).”

Thursday, [Producer Price Index](#): “The Producer Price Index for final demand increased 0.1 percent in June, seasonally adjusted. . . . Final demand prices declined 0.4 percent in May and edged up 0.1 percent in April. On an unadjusted basis, the index for final demand advanced 0.1 percent for the 12 months ended in June.”

Friday, [U.S. Import and Export Indexes](#): “U.S. import prices decreased 0.2 percent in June and have fallen in 5 of the first 6 months of 2023, after rising 3.2 percent in 2022. Prices for U.S. imports declined 6.1 percent over the past year, the largest 12-month drop since the year ended May 2020. . . . The price index for U.S. exports declined 0.9 percent in June, after falling 1.9 percent the previous month. Lower prices for nonagricultural exports and agricultural exports in June each contributed to the overall decrease. U.S. export prices fell 12.0 percent from June 2022 to June 2023, the largest over-the-year decline since the 12-month percent change series was first published in September 1984.”

Department of Labor

Thursday, [Initial Unemployment Claims](#): “In the week ending July 8, the advance figure for seasonally adjusted initial claims was 237,000, a decrease of 12,000 from the previous week's revised level. . . . The 4-week moving average was 246,750, a decrease of 6,750 from the previous week's revised average.” There were 3,504 initial claims in Tennessee for the week ending July 8, a decrease of 131 from the previous week.

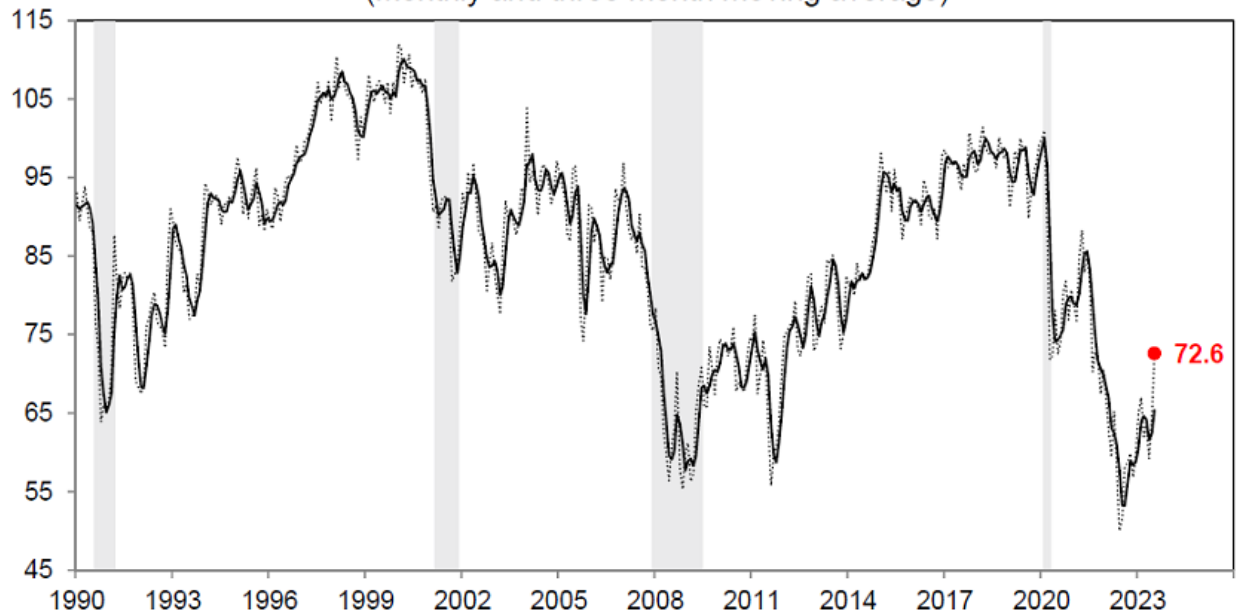
### **Economic Indicators and Confidence:**

University of Michigan

Friday, [Index of Consumer Sentiment \(Preliminary\)](#): “Consumer sentiment rose for the second straight month, soaring 13 percent above June and reaching its most favorable reading

since September 2021. All components of the index improved considerably, led by a 19 percent surge in long-term business conditions and 16 percent increase in short-run business conditions. Overall, sentiment climbed for all demographic groups except for lower-income consumers. The sharp rise in sentiment was largely attributable to the continued slowdown in inflation along with stability in labor markets. As seen in the chart, sentiment is now about halfway between the all-time historic low of 50 from June 2022 and the February 2020 pre-pandemic reading of 101.”

### Index of Consumer Sentiment (Monthly and three month moving average)



University of Michigan 2023

### Mortgages and Housing Markets:

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications increased 0.9 percent from one week earlier.” According to Joel Kan, MBA’s vice president and deputy chief economist, “Incoming economic data continue to send mixed signals about the economy, with the overall impact leaving Treasury yields higher last week as markets expect that the Federal Reserve will need to hold rates higher for longer to slow inflation. All mortgage rates in our survey followed suit, with the 30-year fixed rate increasing to 7.07 percent, the highest level since November 2022.”