

# US Economic Weekly

## It's a scorcher

### Key takeaways

- This week's data flow was red hot, with July retail sales and IP coming in well above expectations.
- The July FOMC minutes were balanced but a little stale. They suggest that QT might not end when the Fed starts cutting rates.
- Powell should sound less balanced at Jackson Hole, since the latest data raise the risk of a fresh increase in inflation.

**US Economic Weekly will be going on a short break and will return Sep 7<sup>th</sup>.**

### Remarkable retail sales...

This week's highlight was the surge in July retail sales, which beat our above-consensus forecast (see [In a word, remarkable](#)). The four largest categories of retail sales ex-autos registered outsized gains. Moreover, the data are even stronger when viewed in the context of roughly zero inflation in the July CPI report in the categories corresponding to retail sales (goods and food services).

### ...were backed up by strength in IP and housing

Industrial production (IP) also came in well above expectations (see [July Industrial Production: A hot summer](#)). Motor vehicle production rebounded, with assemblies coming in well above the 2019 average. Utilities production also spiked. Meanwhile, housing starts and permits continue to suggest that the sector is close to finding a bottom, particularly in terms of single-family housing, which tends to be a bigger driver of GDP (see [US housing starts and permits increase in July](#)). In totality, this week's data raised our 3Q GDP tracker from our official forecast of 2.0% q/q saar to 2.7%.

### July FOMC minutes: balanced...

We read the July FOMC minutes, released this week, as balanced. With the Fed getting closer to the end of the hiking cycle, several participants thought that risks "had become more two sided". Two participants even leaned towards a hold in July. There were concerns about credit tightening and financial conditions more generally. The minutes also mention risks to banks and insurers from weakness in commercial real estate. Even so, "most participants" saw "significant upside risks to inflation" that could necessitate additional hikes. The staff upgraded its economic forecast, no longer projecting a recession by year-end. And "some participants" argued that the pickup in home prices could mean that the impact of Fed tightening on the housing sector has peaked.

### ... with a nod to extended QT

The minutes offered scant forward guidance on policy rates, but they did offer some clues on QT (quantitative tightening). "A number of participants" (which means more than three but less than the majority) noted that QT need not end when the Fed starts to cut rates.

18 August 2023

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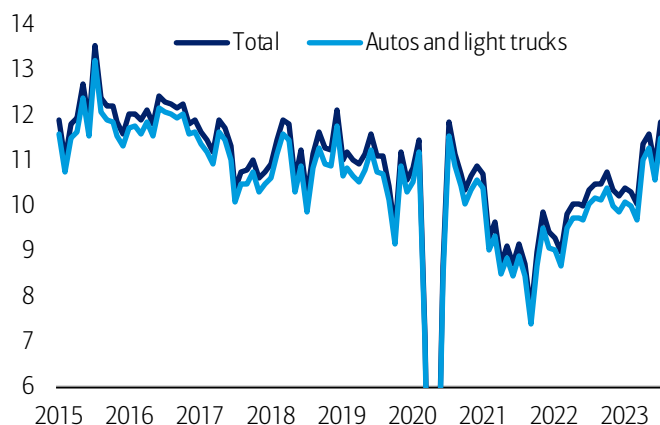
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**Exhibit 1: Motor vehicle assemblies (SAAR, mil. Units)**

Motor vehicle assemblies jumped to 11.9mn in July

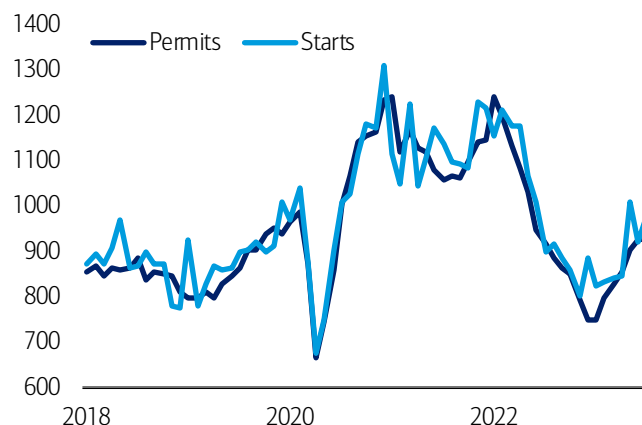


Source: Federal Reserve Board, Haver Analytics

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**Exhibit 2: Single family starts and permits (SAAR, thous)**

Single family starts and permits have rebounded this year



Source: Census Bureau, Haver Analytics

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**Jackson Hole: prepare for a flood of Fedspeak**

The Jackson Hole Economic Policy Symposium will be held this year from August 24-26. The symposium topic will be “Structural Shifts in the Global Economy”. The schedule should be released the afternoon or evening of August 24.

Chair Powell is scheduled to speak on August 25 at 10:05am Eastern Time (8:05am MT).

Note that other FOMC participants also typically conduct media interviews around the conference, often expressing their views on the path of monetary policy.

**Data dependence = a less balanced message**

We think Powell’s tone at Jackson Hole will be less balanced than the July FOMC minutes. The Fed’s data dependence makes the minutes a bit stale since the meeting occurred before the above-consensus 2Q GDP release and of course the robust July data flow. While the Fed would prefer not to short-circuit the business cycle, the latest data would probably increase policymakers’ concerns about a re-acceleration in inflation, driven by strong aggregate demand. Therefore, we expect Powell to push back—implicitly or explicitly—against the degree of rate cuts that markets are pricing in 2024.

In terms of the extent and timing of additional hikes, Powell is likely to emphasize that every meeting is live. If Powell were to comment that he is comfortable with the current pace of hikes for now, markets would view that as guidance towards a pause in September and a possible hike in November. Our strategists think that a less balanced message from Powell relative to the July minutes could lead markets to price in a greater risk of a Fed hike in September or November, and serve as a fresh catalyst for another leg of dollar appreciation. Conversely, should the topic of eventual rate cuts receive prominence, the dollar index could move back into the lower half of the year’s range.

**Too soon to go stargazing**

The resilience of the economy in the face of 5%-plus policy rates also raises the question of whether the neutral rate ( $r^*$ ) has increased. Although there were a few FOMC participants’ projections of the longer-run policy rate moved up in the June dot plot, we would be surprised to see any large shift in Fed communications around the neutral rate. There is significant uncertainty around estimates of this rate. Therefore, we would expect any shift in the Fed’s stance to play out slowly over time, just as neutral rate estimates fell incrementally during the previous cycle.

# US GDP Tracking

## 3Q GDP tracker up to 2.7% q/q saar

July core control retail sales came in stronger than expected, along with upward revisions, on net, to May and June. This increased our 3Q and 2Q personal consumption expenditures (PCE) tracking estimates. Meanwhile, building material sales, which feed into residential investment, were below our prior assumptions for June, thereby driving down our residential investment tracking estimate for 2Q and in turn for 3Q. This also implied a decrease in our inventory estimate for 3Q. And, weaker-than-expected June retail inventories data lowered our 2Q inventory estimate as well. Higher-than-expected July import and export price data decreased our 3Q estimates for real imports and exports. Also, upward revisions to June led to a decrease in the 2Q estimates.

July housing starts came in higher than expected on the back of a rise in single family starts. Single family structures' share of residential investment dwarfs the multifamily share. Meanwhile, June starts were revised down slightly. This increased our 3Q residential investment estimate and decreased our 2Q tracking estimate. July industrial production came in higher than expected. Utilities production surged along with a slight downward revision in June. This led to an increase in our PCE estimate for 3Q and a decrease in the 2Q estimate. The components of support activities for mining that feed into our structures estimate were slightly lower than expected, along with a small downward revision in June, pushing down our structures estimates for 2Q and 3Q. Business equipment spending came in higher than expected in July along with downward revisions in June, raising our equipment estimate for 3Q and decreasing it for 2Q.

Overall, the data flow since our last report pushed up our 3Q US GDP tracking estimate from the official forecast of 2.0% q/q saar (seasonally adjusted annual rate) to 2.7% q/q saar. The 2Q GDP tracker remains unchanged at 2.3%. Next week, July new and existing home sales and durable goods will affect our 2Q and 3Q GDP tracking.

### Exhibit 3: BofA US GDP tracking estimate

Our 3Q US GDP tracker got pushed up to 2.7% q/q saar, largely due to stronger-than-expected retail sales and industrial production data in July

Date	Data release	GDP	Final Sales	PCE	Res. Inv.	Struct	Equip	IPP	Gov.	Exports	Imports	Net exports (level)	CIPI (level)
8/15/23	Retail Sales	2.6	2.9	3.0	2.2	5.0	6.0	4.0	0.5	3.0	3.5	-1222.1	3.5
8/15/23	Import and Export Prices	2.5	2.9	3.0	2.2	5.0	6.0	4.0	0.5	1.2	2.8	-1224.9	3.5
8/15/23	Retail Inventories	2.5	2.9	3.0	2.2	5.0	6.0	4.0	0.5	1.2	2.8	-1226.2	<b>-1.3</b>
8/16/23	Housing Starts and Permits	<b>2.6</b>	2.9	3.0	<b>2.3</b>	5.0	6.0	4.0	0.5	1.2	2.8	-1226.2	-1.3
8/16/23	Industrial Production	<b>2.7</b>	<b>3.0</b>	<b>3.1</b>	2.3	<b>4.6</b>	<b>7.4</b>	4.0	0.5	1.2	2.8	-1226.2	-1.3
	<b>GDP tracking</b>	2.7	3.0	3.1	2.3	4.6	7.4	4.0	0.5	1.2	2.8	-1226.2	-1.3
	Contribution to GDP growth (pp)			2.1	0.1	0.1	0.4	0.2	0.1			-0.3	-0.1
	<b>BofA official GDP forecast</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.5</b>	<b>5.0</b>	<b>6.0</b>	<b>4.0</b>	<b>0.5</b>	<b>3.0</b>	<b>3.5</b>	<b>-1216.5</b>	<b>3.5</b>

Source: BofA Global Research. Our GDP tracking estimate reflects the mechanical aggregation of incoming data that directly informs the BEA's GDP calculations. The process is distinct from our official published GDP forecast. Boldface cells indicate where data have implications for tracking estimates.

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### Exhibit 4: ISM manufacturing (mfg) index tracker

Regional surveys released point to a slight slowdown in activity relative to July

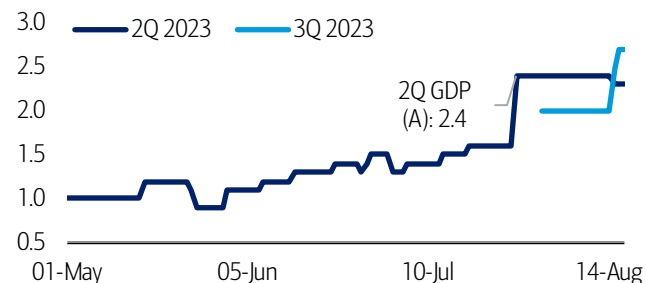
	Date	Print	m/m ch	ISM tracking
ISM Manufacturing Index (July)	1-Aug	46.4		
Empire ISM adj.	15-Aug	45.9	-4.5	46.2
Phil. ISM adj.	17-Aug	49.3	5.1	46.4
Richmond Fed*	22-Aug			
KC ISM adj.	25-Aug			
Dallas ISM adj.	28-Aug			
Chicago ISM adj.	31-Aug			
<b>ISM Mfg tracker (Aug)</b>	<b>1-Sep</b>			<b>46.4</b>

Source: Haver Analytics, BofA Global research

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### Exhibit 5: 2Q GDP tracking evolution (% q/q, SAAR)

2Q US GDP tracking is unchanged at 2.3%. Meanwhile, the 3Q GDP tracker got pushed up to 2.7% q/q saar from the official forecast of 2.0% q/q saar



Source: BofA Global Research

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## Data in the past week

### Data in the past week (Aug 14-18)

The focus was on retail sales, industrial production, and housing data

Date	Time	Indicator	Period	Actual	Consensus	Previous
8/15/23	8:30	Import Price Index (mom)	Jul	0.4%	0.2%	-0.1%
8/15/23	8:30	Import Price Index ex Petroleum (mom)	Jul	0.0%	-0.2%	-0.3%
8/15/23	8:30	Empire Manufacturing	Aug	-19.0	-1.0	1.1
8/15/23	8:30	Advance Retail Sales	Jul	0.7%	0.4%	0.3%
8/15/23	8:30	Retail Sales Less Autos	Jul	1.0%	0.4%	0.2%
8/15/23	8:30	Retail Sales Less Autos and Gas	Jul	1.0%	0.4%	0.4%
8/15/23	8:30	Core Control	Jul	1.0%	0.5%	0.5%
8/15/23	10:00	Business Inventories	Jun	0.0%	0.1%	0.0%
8/15/23	10:00	NAHB Housing Market Index	Aug	50	56	56
8/15/23	16:00	Net Long-term TIC Flows	Jun	\$195.9b	—	\$23.6bn
8/16/23	7:00	MBA Mortgage Applications	Aug 11	-0.8%	—	-3.1%
8/16/23	8:30	Housing Starts	Jul	1452k	1450k	1398k
8/16/23	8:30	Building Permits	Jul	1442k	1463k	1441k
8/16/23	9:15	Industrial Production	Jul	1.0%	0.3%	-0.8%
8/16/23	9:15	Manufacturing Production	Jul	0.5%	0.0%	-0.5%
8/16/23	9:15	Capacity Utilization	Jul	79.3%	79.2%	78.6%
8/16/23	14:00	FOMC Minutes	Aug	—	—	—
8/17/23	8:30	Initial Jobless Claims	Aug 12	239k	240k	250k
8/17/23	10:00	Leading Indicators	Jul	-0.4%	-0.4%	-0.7%

Source: Bloomberg

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## Core views

### Growth

- We expect a soft landing for the US economy, where growth falls below trend in 2024, but remains positive throughout our forecast horizon. We forecast US GDP growth of 2.0% (4Q/4Q) this year, 0.7% in 2024, and 1.8% in 2025. This is about 0.5pp and 0.7pp higher in 2023 and 2024 than we assumed previously.

### Inflation

- We now have PCE inflation falling to 2.0% y/y in 2H 2025, about two quarters later than in our prior mild recession baseline. Our expectations for the four-quarter change in core PCE inflation is 3.7% in 2023, 2.8% in 2024, and 2.2% in 2025.

### Federal Reserve

- We now expect one additional 25bp rate hike in November for a terminal target range of 5.50-5.75%. We expect the first rate cut in June 2024 and quarterly 25bp reductions in the policy rate for a total of 75bp of rate cuts in 2024 and 100bp of cuts in 2025.

# Data in the week ahead

\*Data for the week of August 21<sup>st</sup> and 28<sup>th</sup>

## Data in the week ahead (Aug 21<sup>st</sup>-Sep1)

Jackson Hole Symposium, GDP, Personal income and spending, Nonfarm payrolls

Date	Time	Indicator	Period	BofA Estimate	Consensus	Previous
8/22/23	10:00	Existing Home Sales	Jul	4.15M	4.15M	4.16M
8/23/23	7:00	MBA Mortgage Applications	Aug 18	—	—	-0.8%
8/23/23	9:45	S&P Global US services PMI	Aug P	53.0	52.0	52.3
8/23/23	9:45	S&P Global US manufacturing PMI	Aug P	49.0	49.0	49.0
8/23/23	10:00	New Home Sales	Jul	715k	709k	697k
8/24/23	All day	<b>Jackson Hole Economic Symposium</b>	Aug	—	—	—
8/24/23	8:30	Initial Jobless Claims	Aug 19	244k	—	239k
8/24/23	8:30	Durable Goods Orders	Jul P	-4.0%	-4.0%	4.6%
8/24/23	8:30	Durables Ex Transportation	Jul P	0.5%	0.2%	0.5%
8/24/23	8:30	Core Capital Goods Orders	Jul P	0.1%	0.0%	0.1%
8/24/23	8:30	Core Capital Goods Shipments	Jul P	0.0%	—	0.1%
8/25/23	All day	<b>Jackson Hole Economic Symposium</b>	Aug	—	—	—
8/25/23	10:00	U. of Michigan Sentiment	Aug F	71.2	71.2	71.2
8/26/23	All day	<b>Jackson Hole Economic Symposium</b>	Aug	—	—	—
8/29/23	9:00	Case-Shiller HPI (yoy)	Jun	-0.7%	—	-0.5%
8/29/23	10:00	JOLTS Job Openings	Jul	—	—	9582k
8/29/23	10:00	Consumer Confidence	Aug	120.0	—	117.0
8/30/23	8:15	ADP Employment	Aug	—	—	324k
8/30/23	8:30	Wholesale Inventories	Jul P	—	—	-0.5%
8/30/23	8:30	GDP (qoq saar)	2Q S	NR	—	2.4%
8/30/23	8:30	Personal consumption (qoq saar)	2Q S	NR	—	1.6%
8/30/23	8:30	GDP Price Index (qoq saar)	2Q S	NR	—	2.2%
8/30/23	8:30	Core PCE (qoq saar)	2Q S	NR	—	3.8%
8/30/23	8:30	Advance Goods Trade Balance	Jul	-\$91.0bn	—	-\$88.8b
8/30/23	10:00	Pending Home Sales	Jul	-0.5%	—	0.3%
8/31/23	8:30	Initial Jobless Claims	Aug 26	NR	—	—
8/31/23	8:30	Personal Income	Jul	0.3%	—	0.3%
8/31/23	8:30	Personal Spending	Jul	0.7%	—	0.5%
8/31/23	8:30	PCE Headline Prices (mom)	Jul	0.2%	—	0.2%
8/31/23	8:30	PCE Headline Prices (yoy)	Jul	3.3%	—	3.0%
8/31/23	8:30	PCE Core Prices (mom)	Jul	0.3%	0.2%	0.2%
8/31/23	8:30	PCE Core Prices (yoy)	Jul	4.3%	—	4.1%
8/31/23	8:30	Personal saving rate	Jul	3.9%	—	4.3%
8/31/23	9:45	Chicago Purchasing Managers	Aug	43.0	—	42.8
9/01/23	8:30	Change in Nonfarm Payrolls	Aug	NR	—	187k
9/01/23	8:30	Private Payrolls	Aug	NR	—	172k
9/01/23	8:30	Unemployment Rate	Aug	NR	—	3.5%
9/01/23	8:30	Average Hourly Earnings mom	Aug	NR	—	0.4%
9/01/23	8:30	Average Weekly Hours	Aug	NR	—	34.3
9/01/23	10:00	Construction Spending (mom)	Jul	0.6%	—	0.5%
9/01/23	10:00	ISM Manufacturing	Aug	NR	—	46.4
9/01/23	All day	Total Vehicle Sales	Aug	NR	—	15.7M

Source: Bloomberg, BofA Global Research

NR: Not Released

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## Monday, Aug 21

No major data releases today



## Tuesday, Aug 22

### Data in the week ahead (Aug 22<sup>nd</sup>)

Existing home sales

Date	Time	Indicator	Period	BofA Estimate	Consensus	Previous
8/22/23	10:00	Existing Home Sales	Jul	4.15M	4.15M	4.16M

Source: Bloomberg, BofA Global Research

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### Existing home sales

We expect July existing home sales to remain near June levels, muted at 4.15mn saar. The existing home market has not yet experienced a noticeable rebound as seen in the new home sales market due to low inventory from the lock-in effects of high mortgage rates. This limits supply of existing home sales for potential homebuyers, and, as a result, many are being pushed into the new home sales market instead.

## Wednesday, Aug 23

### Data in the week ahead (Aug 23<sup>rd</sup>)

S&P PMI, New home sales

Date	Time	Indicator	Period	BofA Estimate	Consensus	Previous
8/23/23	7:00	MBA Mortgage Applications	Aug 18	—	—	-0.8%
8/23/23	9:45	S&P Global US services PMI	Aug P	53.0	52.0	52.3
8/23/23	9:45	S&P Global US manufacturing PMI	Aug P	49.0	49.0	49.0
8/23/23	10:00	New Home Sales	Jul	715k	709k	697k

Source: Bloomberg, BofA Global Research

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### S&P manufacturing and services PMI

We forecast the preliminary August S&P Global US manufacturing PMI will print at 49.0, unchanged from last month. We take signal from regional manufacturing surveys released to date, which were on balance unchanged as the Philadelphia Fed Manufacturing Index was better-than-expected but the Empire State manufacturing index was worse than expected. Additionally, while manufacturing production improved in July, it was largely a motor vehicle production story, whereas other sectors continue to show activity slowing. We expect this continued to be the case in August and therefore will result in sub-50 reading of the diffusion index.

Meanwhile, we expect the preliminary August S&P Global US services PMI will increase by seven tenths to 53.0, partially retracing the 2.1pt decline seen in July. We continue to see signs of expanding activity in the services sector, including increased recreational spending.

### New home sales

We expect new home sales to improve to 715k saar in July, partially reversing the drop in June to 697k. New home sales have been holding up better than existing home sales due in part to the limited inventory in the existing homes market. Nevertheless, overall demand is still being adversely affected by ongoing affordability challenges from home price appreciation and high mortgage rates.

## Thursday, Aug 24

### Data in the week ahead (Aug 24th)

Jackson Hole Economic Symposium, Jobless claims, durable goods orders

Date	Time	Indicator	Period	BofA Estimate	Consensus	Previous
8/24/23	All day	Jackson Hole Economic Symposium	Aug	—	—	—
8/24/23	8:30	Initial Jobless Claims	Aug 19	244k	—	239k
8/24/23	8:30	Durable Goods Orders	Jul P	-4.0%	-4.0%	4.6%
8/24/23	8:30	Durables Ex Transportation	Jul P	0.5%	0.2%	0.5%
8/24/23	8:30	Core Capital Goods Orders	Jul P	0.1%	0.0%	0.1%
8/24/23	8:30	Core Capital Goods Shipments	Jul P	0.0%	—	0.1%

Source: Bloomberg, BofA Global Research

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### Jobless claims

Initial jobless claims likely increased to 244k in the week ending Aug 17 after the 11k decrease to 239k in the previous week. Last week's decrease could likely be payback for the 23k increase in the week ending Aug 5 potentially due to the bankruptcy of Yellow Corp., which affected about 30k workers and other corporate bankruptcies. Meanwhile, continuing claims increased by 32k in the week ending Aug 5. We expect to see an increase in the coming week, albeit at a slower pace.

### Durable goods orders

We expect headline durable goods orders decreased by 4.0% m/m in July after a 4.6% increase in June. Boeing reported a decrease in orders to 52 planes in July from 304 in June. Hence excluding transportation, we look for orders to come in at a more modest 0.5% m/m. We look for core capital goods orders to come in at 0.1% m/m and shipments are expected to come in flat over the month.

## Friday, Aug 25

### Data in the week ahead (Aug 25th)

U. of Michigan Sentiment

Date	Time	Indicator	Period	BofA Estimate	Consensus	Previous
8/25/23	All day	Jackson Hole Economic Symposium	Aug	—	—	—
8/25/23	10:00	U. of Michigan Sentiment	Aug F	71.2	71.2	71.2

Source: Bloomberg, BofA Global Research

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### University of Michigan Consumer Sentiment

We expect the University of Michigan consumer sentiment index to finalize at 71.2 in August. In the preliminary reading, sentiment edged down to 71.2 from July's final reading of 71.6. A main factor for the decline was likely due to the pickup in oil prices seen at the start of August. Nevertheless, inflation expectations for both short and long-term decreased in the preliminary reading, which provides some relief. Further cooling in oil prices and inflation concerns should help sentiment improve going forward.

## Monday, Aug 28

No major data releases today

## Tuesday, Aug 29

### Data in the week ahead (Aug 29th)

Case-Shiller HPI, Consumer Confidence

Date	Time	Indicator	Period	BofA Estimate	Consensus	Previous
8/29/23	9:00	Case-Shiller HPI (yoy)	Jun	-0.7%	—	-0.5%
8/29/23	10:00	JOLTS Job Openings	Jul	—	—	9582k
8/29/23	10:00	Consumer Confidence	Aug	120.0	—	117.0

Source: Bloomberg, BofA Global Research

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### Case-Shiller HPI

S&P CoreLogic Case-Shiller national home prices likely fell 0.7% y/y in June, declining further from the 0.5% y/y decline seen in May. Home price growth had slowed down since early 2022, and in April the y/y growth rate turned negative for the first time since 2007. We think the housing market has neared the bottom, and the low inventory in the existing homes market alongside high mortgage rates is causing a lock-in effect with homeowners unwilling to list their homes, ultimately putting some floor underneath prices.

### Conference board confidence

We expect August's Conference Board consumer confidence index to pick up to 120 from 117 previously. In July, confidence surged to the highest level since 2021, supported by waning inflation and recession concerns amid a strong labor market. We expect this trend to continue, pushing up confidence levels further in August.

## Wednesday, Aug 30

### Data in the week ahead (Aug 30th)

GDP, Advance goods trade balance, Pending home sales

Date	Time	Indicator	Period	BofA Estimate	Consensus	Previous
8/30/23	8:15	ADP Employment	Aug	—	—	324k
8/30/23	8:30	Wholesale Inventories	Jul P	—	—	-0.5%
8/30/23	8:30	GDP (qoq saar)	2Q S	NR	—	2.4%
8/30/23	8:30	Personal consumption (qoq saar)	2Q S	NR	—	1.6%
8/30/23	8:30	GDP Price Index (qoq saar)	2Q S	NR	—	2.2%
8/30/23	8:30	Core PCE (qoq saar)	2Q S	NR	—	3.8%
8/30/23	8:30	Advance Goods Trade Balance	Jul	-\$91.0bn	—	-\$88.8b
8/30/23	10:00	Pending Home Sales	Jul	-0.5%	—	0.3%

Source: Bloomberg, BofA Global Research

NR: Not Released

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### GDP

GDP preview will be released closer to the date

### Advance goods trade balance

We expect the July advance goods trade deficit to come in at \$91.0B, widening from the June deficit of \$88.8B. We expect a decrease in both exports and imports. The fall in goods imports likely reflects higher services spending and ongoing softness in business spending. Meanwhile, the decline in goods exports could be driven by the deterioration in the outlook for global growth as well as an overall rotation towards services.

### Pending home sales

We forecast July pending home sales fell 0.5% m/m, reversing the 0.3% increase seen in June. We take signal from mortgage rates which have picked up throughout July and buyers still grappling with limited inventories in the existing homes market.



## Thursday, Aug 31

### Data in the week ahead (Aug 31st)

Personal income and spending, Chicago PMI

Date	Time	Indicator	Period	BofA Estimate	Consensus	Previous
8/31/23	8:30	Initial Jobless Claims	Aug 26	NR	—	—
8/31/23	8:30	Personal Income	Jul	0.3%	—	0.3%
8/31/23	8:30	Personal Spending	Jul	0.7%	—	0.5%
8/31/23	8:30	PCE Headline Prices (mom)	Jul	0.2%	—	0.2%
8/31/23	8:30	PCE Headline Prices (yoy)	Jul	3.3%	—	3.0%
8/31/23	8:30	PCE Core Prices (mom)	Jul	0.3%	0.2%	0.2%
8/31/23	8:30	PCE Core Prices (yoy)	Jul	4.3%	—	4.1%
8/31/23	8:30	Personal saving rate	Jul	3.9%	—	4.3%
8/31/23	9:45	Chicago Purchasing Managers	Aug	43.0	—	42.8

Source: Bloomberg, BofA Global Research

NR: Not Released

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### Personal income and spending

We estimate that nominal personal income rose by a moderate 0.3% in July, due to tepid nonfarm payroll growth and a drop in hours worked. We forecast a 0.7% increase in nominal spending on the month. Retail sales ex-autos surged by 1.0% in July, while unit motor vehicle sales rose slightly. Meanwhile, services spending was also likely strong, partly due to utilities consumption. The July industrial production report showed a surge in utilities production, likely because of the heat wave. Given our forecast of 0.2% headline PCE inflation, we think real spending increased by 0.5%. These projections suggest that the saving rate fell sharply by 0.4pp to 3.9%.

We expect core PCE inflation to round up to 0.3% m/m in July. This would push the y/y rate up by two-tenths to 4.3%. Core services ex housing is also likely to accelerate meaningfully to 0.5% m/m from 0.2% previously owing to a surge in financial services inflation given the PPI data. We recommend fading the strength of this print given our expectation for volatile financial services to be a big driver of the increase. Meanwhile, we look for headline PCE inflation to also increase by 0.2% m/m (0.22% unrounded), resulting in the y/y rate increasing by three-tenths to 3.3%, due to less favorable base effects. (For more details, please see: [July PCE tracking: A firmer core PCE 11 August 2023](#))

### Chicago PMI

The August Chicago PMI will likely be little changed from July. Indeed we look for it to come in at 43.0, up from 42.8 in July. Therefore, we expect the measure to continue to show signs that business activity in the region is falling for the majority of respondents.

## Friday, Sep 1

### Data in the week ahead (Sep 1st)

Nonfarm payrolls, Construction spending, ISM manufacturing, Vehicle sales

Date	Time	Indicator	Period	BofA Estimate	Consensus	Previous
9/01/23	8:30	Change in Nonfarm Payrolls	Aug	NR	—	187k
9/01/23	8:30	Private Payrolls	Aug	NR	—	172k
9/01/23	8:30	Unemployment Rate	Aug	NR	—	3.5%
9/01/23	8:30	Average Hourly Earnings mom	Aug	NR	—	0.4%
9/01/23	8:30	Average Weekly Hours	Aug	NR	—	34.3
9/01/23	10:00	Construction Spending (mom)	Jul	0.6%	—	0.5%
9/01/23	10:00	ISM Manufacturing	Aug	NR	—	46.4
9/01/23	All day	Total Vehicle Sales	Aug	NR	—	15.7M

Source: Bloomberg, BofA Global Research

NR: Not Released

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### Nonfarm payrolls

Payrolls preview will be released closer to the date



**Construction spending**

Construction spending likely increased 0.6% m/m in July, after a 0.5% increase in June. Residential construction spending will potentially continue to rise, albeit at a slower pace, largely driven by a rise in single family home construction. Indeed, the six-month moving average of starts, which is a better measure of the trend given the volatility of the data, increased for both total and single family starts. Last month, non-residential construction spending increased by 0.1% m/m. The rise in the manufacturing sector has been a big driver of the increase in the non-residential print. This is potentially on the back of ongoing construction of semiconductor factories as part of the CHIPS Act and is likely to continue showing an effect in the near future with some downside risks existing from a cut back in investment by firms and government as the rate hikes pass through.

**ISM manufacturing**

ISM preview will be released closer to the date

**Vehicle sales**

Vehicle preview will be released closer to the date

# Upcoming policy speakers

## Upcoming policy speakers

Key speaking engagements and news events\*

### Monday, Aug 21

No major events

### Tuesday Aug 22

14:30 Fed's Goolsbee (voter) Gives Welcome Remarks

15:30 Fed's Goolsbee (voter) and Bowman (voter) Participate in Fireside Chat

### Wednesday, Aug 23

No major events

### Thursday, Aug 24

12:00 Fed's Harker (voter) Interview With CNBC

All day Jackson Hole Economic Symposium

### Friday, Aug 25

9:00 Fed's Harker (voter) Interview With Bloomberg TV

9:40 Fed's Harker (voter) Interview With Yahoo Finance Live

10:05 Fed Chair Powell (voter) To Speak At Jackson Hole Economic Symposium

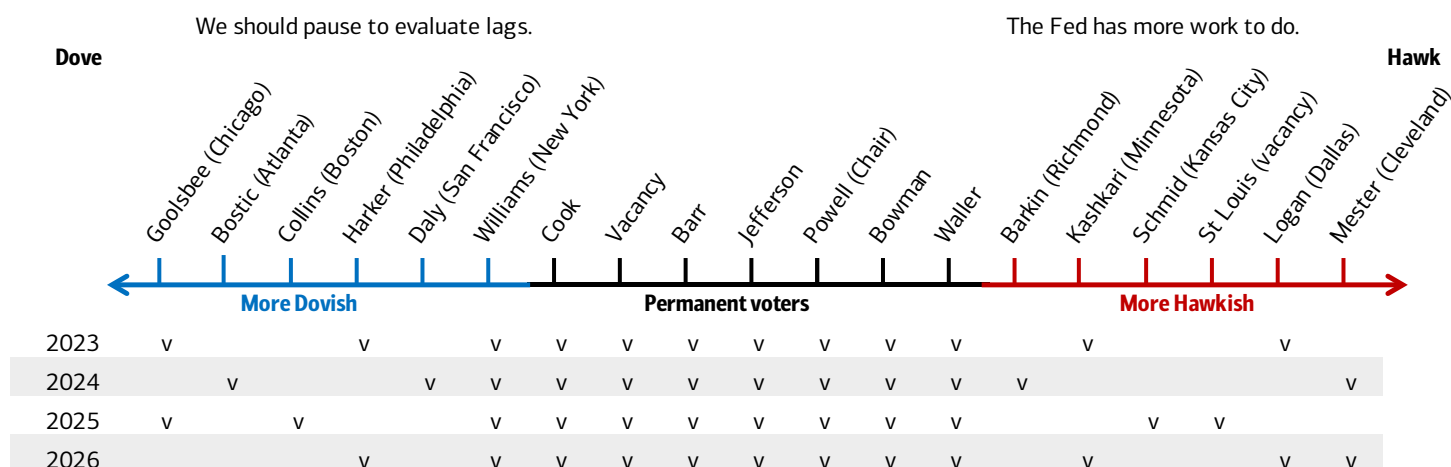
Source: Bloomberg.

Note: All listed times are Eastern times. Dates and times are subject to change.

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## Exhibit 6: BofA US Economics Dove-Hawk chart

More turnover is coming to the Federal Open Market Committee



Note: "v" denotes voting member. We prefer to group Board Governors together since they traditionally vote in line with the views of the Chair. St Louis Fed President Bullard resigned effective August 14, 2023. Adriana Kugler is awaiting confirmation to the Board of Governors.

Source: Federal Reserve Board, BofA Global Research

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# Economic forecast summary

## Exhibit 7: BofA US economic outlook

We now expect a soft landing for the US economy

	1Q 23	2Q 23	3Q 23	4Q 23	1Q 24	2Q 24	3Q 24	4Q 24	1Q 25	2Q 25	3Q 25	4Q 25	2022	2023	2024	2025
<b>Real Economic Activity, % SAAR</b>																
Real GDP	2.0	2.4	2.0	1.5	1.0	0.5	0.5	1.0	1.5	1.5	2.0	2.0	2.1	2.1	1.1	1.3
% Change, Year Ago	1.8	2.6	2.2	2.0	1.7	1.2	0.9	0.7	0.9	1.1	1.5	1.8				
Final Sales	4.2	2.3	2.0	1.5	1.0	0.5	0.5	1.0	1.5	1.5	1.5	1.5	1.3	2.7	1.2	1.2
Domestic Demand	3.5	2.4	2.0	1.5	1.5	1.0	0.5	1.0	1.5	1.5	2.0	2.0	1.7	2.0	1.4	1.4
Consumer Spending	4.2	1.6	2.0	1.5	1.0	0.5	0.5	1.0	1.5	1.5	2.0	2.0	2.7	2.3	1.1	1.3
Residential Investment	-4.0	-4.1	2.5	2.0	1.5	1.0	0.5	1.0	1.5	1.5	2.0	2.0	-10.6	-11.5	1.0	1.2
Nonresidential Investment	0.6	7.7	5.0	4.0	3.5	3.0	2.0	2.5	2.0	2.5	3.0	3.0	3.9	4.0	3.6	2.4
Structures	15.8	9.7	5.0	4.0	3.0	1.0	0.5	1.0	1.0	1.0	1.5	1.5	-6.6	8.0	3.0	1.0
Equipment	-8.9	10.8	6.0	5.0	4.0	3.5	2.0	2.5	1.0	1.0	1.5	1.5	4.3	1.1	4.4	1.6
Intellectual Property	3.1	3.9	4.0	3.5	3.0	3.0	3.0	3.5	4.0	5.0	5.0	5.0	8.8	4.8	3.3	4.0
Government	5.0	2.6	0.5	0.5	0.5	0.5	0.5	1.0	1.0	1.0	1.0	1.0	-0.6	2.9	0.5	0.8
Exports	7.8	-10.8	3.0	2.0	1.5	1.0	1.0	2.0	3.0	3.0	3.5	3.5	7.1	2.0	0.8	2.5
Imports	2.0	-7.8	3.5	3.0	2.5	2.0	1.5	3.0	4.0	4.5	5.0	5.0	8.1	-2.3	1.8	3.7
Net Exports (Bil 12\$)	-1208	-1206	-1217	-1231	-1246	-1258	-1268	-1285	-1305	-1330	-1357	-1383	-1357	-1215	-1264	-1344
Contribution to growth (ppts) &&	0.6	-0.1	-0.1	-0.2	-0.2	-0.2	-0.1	-0.2	-0.2	-0.3	-0.3	-0.3	-0.4	0.6	-0.2	-0.2
Inventory Accumulation (Bil 12\$)	3.5	9.3	3.5	1.0	-2.0	-12.0	-13.0	-11.0	2.5	16.0	36.0	56.0	125.0	4.3	-9.6	27.5
Contribution to growth (ppts) ( )	-2.1	0.1	-0.1	0.0	-0.1	-0.2	0.0	0.0	0.2	0.2	0.3	0.3	0.7	-0.6	-0.1	0.2
Nominal GDP (Bil \$, SAAR)	26530	26835	27216	27582	27925	28200	28465	28767	29118	29449	29812	30188	25463	27041	28339	29642
% SAAR	6.2	4.6	5.8	5.5	5.1	4.0	3.8	4.3	5.0	4.6	5.0	5.1	9.2	6.2	4.8	4.6
<b>Key Indicators</b>																
Fed Funds Rate (midpoint, % EOP)	4.875	5.125	5.375	5.625	5.625	5.375	5.125	4.875	4.625	4.375	4.125	3.875	4.375	5.625	4.875	3.875
Industrial Production (% SAAR)	-0.3	0.0	2.0	2.0	1.5	1.0	0.5	0.5	1.5	1.5	1.5	1.5	3.4	0.4	1.4	1.1
Capacity Utilization (%)	79.5	79.3	79.5	79.5	80.0	80.0	80.0	80.0	80.5	80.5	81.0	81.0	80.3	79.5	80.1	80.7
Nonfarm Payrolls (Avg mom ch, 000s)	312	244	150	100	75	75	50	50	75	100	125	125	399	202	63	106
Civilian Unemployment Rate (%)	3.5	3.5	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.3	4.3	4.2	3.6	3.6	4.0	4.3
Civilian Participation Rate (%)	62.5	62.6	62.7	62.8	62.8	62.8	62.8	62.8	62.8	62.8	62.8	62.8	62.2	62.6	62.8	62.8
Productivity (% SAAR)	-1.2	3.5	1.0	1.0	1.0	0.5	1.0	1.0	1.5	1.0	1.5	1.0	-1.7	1.1	0.9	1.3
Personal Saving Rate (%)	4.3	4.4	4.3	4.3	4.4	4.7	5.0	5.1	5.2	5.3	5.4	5.5	3.5	4.3	4.8	5.3
Light Vehicle Sales (Millions SAAR)	15.3	15.6	15.7	15.9	16.2	16.3	16.4	16.6	16.8	17.1	17.5	17.9	13.8	15.6	16.3	17.3
Housing Starts (Thous. SAAR)	1385	1445	1445	1390	1420	1450	1485	1515	1525	1560	1570	1585	1551	1416	1468	1560
Current Account (% of GDP)													-3.7	-3.6	-3.4	-3.3
US Budget Balance (\$bn, Fiscal Year)													-1375	-1450	-1500	-1650
<b>Inflation</b>																
GDP Price Index (% SAAR)	4.1	2.2	3.7	3.9	4.0	3.5	3.3	3.3	3.4	3.1	3.0	3.1	7.0	4.0	3.6	3.2
% Change, Year Ago&	5.3	3.6	3.5	3.5	3.5	3.8	3.7	3.5	3.4	3.3	3.2	3.1				
PCE Chain Prices (% SAAR)	4.1	2.6	3.1	3.3	3.4	2.5	2.3	2.3	2.4	1.9	1.8	1.9	6.3	3.8	2.9	2.2
% Change, Year Ago\$*	4.9	3.7	3.4	3.3	3.1	3.1	2.9	2.6	2.4	2.2	2.1	2.0				
Core PCE Chain Prices (% SAAR)	4.9	3.8	2.8	3.2	3.3	2.7	2.6	2.7	2.6	2.2	2.0	2.0	5.0	4.2	3.0	2.4
% Change, Year Ago\$	4.6	4.4	4.0	3.7	3.3	3.0	2.9	2.8	2.6	2.5	2.3	2.2				
CPI, Consumer Prices (% SAAR)	3.8	2.7	3.1	3.4	3.6	2.7	2.5	2.0	2.3	2.0	2.0	2.8	8.0	4.1	3.0	2.2
% Change, Year Ago!	5.8	4.0	3.4	3.3	3.2	3.2	3.0	2.7	2.4	2.2	2.1	2.3				
CPI ex Food & Energy ( % SAAR)	5.0	4.7	2.5	3.1	3.4	3.3	3.0	2.7	2.6	2.5	2.5	2.4	6.1	4.7	3.2	2.7
% Change, Year Ago@	5.6	5.2	4.3	3.8	3.4	3.1	3.2	3.1	2.9	2.7	2.6	2.5				

Source: BofA Global Research

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# Rates and dollar forecast

**Table 1: Rates and dollar forecast**

The Fed hiked by 25bp at the July meeting and we expect it to hike by another 25bp in November and start cutting in 2Q 2024.

	Spot	23-Jun	23-Sep	23-Dec	24-Mar	24-Jun	24-Sep	24-Dec
<b>Interest rates</b>								
Fed Funds	5.33	5.00-5.25	5.25-5.50	5.50-5.75	5.50-5.75	5.25-5.50	5.00-5.25	4.75-5.00
Fed Effective Rate	5.33	5.13	5.38	5.63	5.63	5.38	5.13	4.88
2-Year T-Note	4.93	4.00	5.00	4.75	4.55	4.35	4.20	4.00
5-Year T-Note	4.41	3.60	4.35	4.30	4.10	4.05	3.95	3.75
10-Year T-Note	4.27	3.50	4.10	4.00	3.80	3.75	3.65	3.50
30-Year T-Bond	4.39	3.70	4.25	4.20	4.00	3.95	3.85	3.70
<b>Dollar</b>								
EUR-USD	1.09	1.09	1.05	1.05	1.07	1.10	1.15	1.15
USD-JPY	146	144.31	147	145	140	135	130	125
USD-CAD	1.35	1.32	1.32	1.30	1.30	1.29	1.28	1.26
AUD-USD	0.64	0.67	0.67	0.69	0.72	0.73	0.74	0.75
NZD-USD	0.59	0.61	0.61	0.62	0.64	0.65	0.66	0.67
GBP-USD	1.27	1.27	1.24	1.24	1.26	1.29	1.35	1.35
USD-CHF	0.88	0.89	0.93	0.93	0.93	0.90	0.87	0.87
USD-SEK	10.90	10.80	10.95	10.48	10.00	9.64	9.13	8.96
USD-NOK	10.60	10.74	10.38	10.10	9.72	9.45	8.87	8.70
USD-CNY	7.29	7.25	7.40	7.20	7.10	7.00	6.80	6.70
USD-MXN	17.12	17.12	17.50	18.00	18.30	19.00	19.30	19.50

Source: BofA Global Research

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## Rolling calendar of business indicators

### Key economic data over the next three weeks

Next week the focus will be on Jackson Hole Economic Symposium, housing data, and durable goods orders

Monday	Tuesday	Wednesday	Thursday	Friday
<b>Aug 21</b>	<b>Aug 22</b>	<b>Aug 23</b>	<b>Aug 24</b>	<b>Aug 25</b>
	10:00 am: Existing Home Sales – Jul	7:00 am: MBA Mortgage Applications – week ending 08/18/2023 9:45 am: S&P Global US Manufacturing PMI – Aug P 10:00 am: New Home Sales – Jul	8:30 am: Initial Jobless Claims – week ending 08/19/2023 8:30 am: Durable Goods Orders – Jul (P)	10:00 am: U. of Mich Sentiment – Aug (F)
<b>Aug 28</b>	<b>Aug 29</b>	<b>Aug 30</b>	<b>Aug 31</b>	<b>Sep 1</b>
	9:00 am: S&P CoreLogic CS HPI – Jun 10:00 am: Conference Board Confidence – Aug	7:00 am: MBA Mortgage Applications – week ending 08/25/2023 8:15 am: ADP Employment – Aug 8:30 am: GDP - 2Q (S) 8:30 am: Advance Goods Trade Balance – Jul 10:00 am: Pending Home Sales - Jul	8:30 am: Initial Jobless Claims – week ending 08/26/2023 8:30 am: Personal Income & Outlays – Jul 9:45 am: Chicago PMI – Aug	8:30 am: Employment Report – Aug 9:45 am: S&P Global US Manufacturing PMI – Aug (F) 10:00 am: ISM manufacturing – Aug 10:00 am: Construction Spending – Jul All Day: Wards Auto Sales - Aug
<b>Sep 4</b>	<b>Sep 5</b>	<b>Sep 6</b>	<b>Sep 7</b>	<b>Sep 8</b>
Labor day	10:00 am: Factory orders – Jul	7:00 am: MBA Mortgage Applications – week ending 09/01/2023 8:30 am: Trade Balance – Jul 9:45 am: S&P Global US Services PMI – Aug (F) 10:00 am: ISM services– Aug 2:00 pm: Fed's Beige Book	8:30 am: Initial Jobless Claims – week ending 09/02/2023 8:30 am: Productivity & Costs - 2Q (F)	10:00 am: Wholesale Inventories – Jul

\*Projections- subject to revision as additional data become available. P - preliminary reading, S - second reading, T - third reading, F - final reading

Source: Bloomberg

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# CPI Forecast table

## Exhibit 8: CPI monthly forecast table

We expect CPI inflation to moderate over the course of our forecast horizon given our expectations for restrictive monetary policy and a soft landing

	Non-seasonally Adjusted						Seasonally Adjusted									
	Headline CPI			Energy			Headline CPI					Core CPI				
	Level	m/m	y/y	Level	m/m	y/y	Level	m/m	y/y	q/q saar	y/y (quarterly)	Level	m/m	y/y	q/q saar	y/y (quarterly)
2022: Jan	281.15	0.8	7.5	260.65	1.7	27.0	282.60	0.6	7.6			286.79	0.6	6.1		
2022: Feb	283.72	0.9	7.9	267.77	2.7	25.6	284.61	0.7	8.0			288.15	0.5	6.4		
2022: Mar	287.50	1.3	8.5	298.25	11.4	32.0	287.47	1.0	8.5	9.2	8.0	289.05	0.3	6.5	6.7	6.3
2022: Apr	289.11	0.6	8.3	298.47	0.1	30.3	288.61	0.4	8.2			290.41	0.5	6.1		
2022: May	292.30	1.1	8.6	316.76	6.1	34.6	291.27	0.9	8.5			292.25	0.6	6.0		
2022: Jun	296.31	1.4	9.1	340.92	7.6	41.6	294.73	1.2	8.9	9.7	8.6	294.02	0.6	5.9	6.0	6.0
2022: Jul	296.28	0.0	8.5	325.41	-4.5	32.9	294.63	0.0	8.4			294.93	0.3	5.9		
2022: Aug	296.17	0.0	8.3	305.37	-6.2	23.8	295.32	0.2	8.2			296.64	0.6	6.3		
2022: Sep	296.81	0.2	8.2	297.34	-2.6	19.8	296.54	0.4	8.2	5.5	8.3	298.34	0.6	6.6	6.2	6.3
2022: Oct	298.01	0.4	7.7	300.36	1.0	17.6	297.99	0.5	7.8			299.33	0.3	6.3		
2022: Nov	297.71	-0.1	7.1	292.95	-2.5	13.1	298.60	0.2	7.1			300.26	0.3	6.0		
2022: Dec	296.80	-0.3	6.5	274.94	-6.1	7.3	298.99	0.1	6.4	4.2	7.1	301.46	0.4	5.7	5.1	6.0
2023: Jan	299.17	0.8	6.4	283.33	3.1	8.7	300.54	0.5	6.3			302.70	0.4	5.5		
2023: Feb	300.84	0.6	6.0	281.67	-0.6	5.2	301.65	0.4	6.0			304.07	0.5	5.5		
2023: Mar	301.84	0.3	5.0	279.08	-0.9	-6.4	301.81	0.1	5.0	3.8	5.8	305.24	0.4	5.6	5.0	5.6
2023: Apr	303.36	0.5	4.9	283.35	1.5	-5.1	302.92	0.4	5.0			306.49	0.4	5.5		
2023: May	304.13	0.3	4.0	279.82	-1.2	-11.7	303.29	0.1	4.1			307.82	0.4	5.3		
2023: Jun	305.11	0.3	3.0	283.85	1.4	-16.7	303.84	0.2	3.1	2.7	4.1	308.31	0.2	4.9	4.7	5.2
2023: Jul	305.69	0.2	3.2	284.83	0.3	-12.5	304.35	0.2	3.3			308.80	0.2	4.7		
2023: Aug	306.74	0.3	3.6	293.76	3.1	-3.8	306.02	0.6	3.6			309.37	0.2	4.3		
2023: Sep	306.88	0.0	3.4	291.19	-0.9	-2.1	306.61	0.2	3.4	3.1	3.4	310.06	0.2	3.9	2.5	4.3
2023: Oct	307.27	0.1	3.1	287.66	-1.2	-4.2	307.25	0.2	3.1			310.90	0.3	3.9		
2023: Nov	307.20	0.0	3.2	285.64	-0.7	-2.5	308.08	0.3	3.2			311.79	0.3	3.8		
2023: Dec	307.26	0.0	3.5	284.64	-0.3	3.5	309.41	0.4	3.5	3.4	3.3	312.67	0.3	3.7	3.1	3.8
2024: Jan	308.75	0.5	3.2	288.11	1.2	1.7	310.21	0.3	3.2			313.53	0.3	3.6		
2024: Feb	310.08	0.4	3.1	288.56	0.2	2.4	310.96	0.2	3.1			314.39	0.3	3.4		
2024: Mar	311.63	0.5	3.2	295.92	2.5	6.0	311.71	0.2	3.3	3.6	3.2	315.26	0.3	3.3	3.4	3.4
2024: Apr	312.80	0.4	3.1	299.06	1.1	5.5	312.40	0.2	3.1			316.11	0.3	3.1		
2024: May	313.62	0.3	3.1	302.46	1.1	8.1	312.79	0.1	3.1			316.93	0.3	3.0		
2024: Jun	315.19	0.5	3.3	310.60	2.7	9.4	313.87	0.3	3.3	2.7	3.2	317.75	0.3	3.1	3.3	3.1
2024: Jul	315.55	0.1	3.2	305.38	-1.7	7.2	314.16	0.1	3.2			318.56	0.3	3.2		
2024: Aug	316.01	0.1	3.0	305.83	0.1	4.1	315.24	0.3	3.0			319.31	0.2	3.2		
2024: Sep	315.78	-0.1	2.9	298.80	-2.3	2.6	315.51	0.1	2.9	2.5	3.0	320.05	0.2	3.2	3.0	3.2
2024: Oct	315.85	0.0	2.8	293.38	-1.8	2.0	315.84	0.1	2.8			320.75	0.2	3.2		
2024: Nov	315.44	-0.1	2.7	289.69	-1.3	1.4	316.36	0.2	2.7			321.44	0.2	3.1		
2024: Dec	315.11	-0.1	2.6	286.48	-1.1	0.6	317.37	0.3	2.6	2.0	2.7	322.14	0.2	3.0	2.7	3.1

Source: Bureau of Labor Statistics, BofA Global Research

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