

June 5, 2023 – Economic Commentary

The meeting of the Federal Open Market Committee (FOMC) next week commands most of the attention this week. US service industry data being released may indicate some slowing of economic activity in that sector which the Fed believes to be one of the key contributors to intractable inflationary pressures. Certainly the data of at least one report indicating that service sector hiring contracted in May possibly allows the Fed to proceed with a plan to pause interest rate hikes on June 14, despite the extremely robust nonfarm payrolls number for May that was released last Friday. Nevertheless, any upset this week with respect to either economic growth or inflation is likely to tip the scales between those members of the FOMC who believe a pause is warranted and those who are not yet convinced. Given that the OPEC+ agreement to cut production and raise oil prices is ostensibly a short-term measure that may be difficult to police and open to cheating -- “agreement” may not be the right word for what was a fractious debate—it is doubtful that any impact on retail gasoline prices will yet factor into the FOMC decision-making.

Data to Watch:

1. US Balance of Trade for April, released Wednesday, June 7
2. US Used Car Prices for May, released Wednesday, June 7
3. Initial Claims for US Unemployment Benefits, released Thursday, June 8

Suggested Reading:

[Saudi Arabia Says It will Cut Production to Stem a Slide in Oil Prices](#)

[Wall Street Backs Off Bets on Fed Rate Cuts](#)

[Big Banks Could Face 20% Boost to Capital Requirements](#)

[Consumers are more likely to cut back on restaurant visits than trade down to fight inflation, report says](#)

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