

Economic Landscape

April 2013

MANUFACTURING & PRODUCTION

- Data from the Institute for Supply Management indicates that the rate of expansion in the manufacturing economy slowed last month as the PMI declined from 54.2% in February to 51.3% in March. Production, new orders, and backlogs grew at a reduced pace for the month, while exports and employment accelerated. The Prices Index declined by 7 percentage points to 54.5% in March.
- Industrial production rose 0.4% in March following a 1.1% gain in February. Abnormally cold March weather led to higher heating demand and a 5.3% increase in utilities production for the month. Factory output edged 0.1% lower on decreased durable goods production despite a solid gain in the output of motor vehicles and parts. Production at mines declined 0.2% in March. The capacity utilization rate moved up to 78.5%, just 1.7 percentage points below the long-term average.

LABOR MARKETS

- Falling well short of expectations, nonfarm payrolls increased by 88,000 in March following upwardly-revised gains of 148,000 in January and 268,000 in February. Government employment trended lower (-7,000), including nearly 12,000 fewer U.S. Postal Service jobs. On the goods-producing side of the economy, manufacturing payrolls dropped slightly (-3,000) while construction employment rose (+18,000). Within the service sectors, employment in retail trade slipped (-24,100) particularly in stores for apparel, home improvement supplies, and electronics & appliances. Professional & business services payrolls increased (+51,000) in March on gains in accounting & bookkeeping services and temporary help services. Health care employment (+23,400) continued to trend higher, as did food & drink establishment payrolls (+13,000).
- The unemployment rate ticked down to 7.6% in March, but the civilian labor force declined by 496,000 during the month and the labor force participation rate dropped to 63.3%. Average hourly earnings rose by 1 cent in March to \$23.82, and over the past 12 months have increased 1.8%.

PRICES

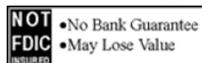
- The U.S. Import Price Index decreased 0.5% in March after rising 0.6% in February. Prices for fuel imports fell 1.9% for the month reflecting declines in petroleum (-1.9%) and natural gas (-1.5%); nonfuel import prices decreased 0.2%. The index for U.S. export prices declined 0.4% in March on lower prices for both agricultural (-1.8%) and nonagricultural (-0.2%) export prices.
- Wholesale prices fell more than expected, as the Producer Price Index decreased 0.6% in March. A 3.4% plunge in finished energy goods more than offset a 0.8% rise in wholesale food prices. Excluding food and energy, the core PPI rose 0.2% in March. In earlier stages of production, prices for intermediate goods decreased 0.9% and crude goods declined 2.5%.
- The Consumer Price Index declined 0.2% in March. The energy index fell 2.6% for the month largely due to the 4.4% drop in gasoline prices; the food index was unchanged from February to March. Core CPI increased 0.1% as rising prices for shelter, used vehicles, medical care, personal care, and airline fares eclipsed falling prices for apparel and tobacco. Year over year, headline CPI increased 1.5% and core CPI rose 1.9%.

SALES

- March retail sales posted a 0.4% decline following a 1.0% gain in the prior month. Auto sector sales dropped 0.6%, leaving sales ex-auto down 0.4%. Also falling were sales at gas stations (-2.2%); electronics & appliance stores (-1.6%); department stores (-1.1%); sporting goods, hobby, book & music stores (-0.8%); and health & personal care stores (-0.3%). It wasn't bad news for every sector, though, as sales increased for furniture & home furnishings stores (+0.9%); food & drink establishments (+0.7%); nonstore retailers (+0.3%); home improvement stores (+0.1%); and clothing stores (+0.1%). Since March 2012, retail sales rose 2.8%.

TIME OUT

The advanced estimates show GDP grew at a 2.5% annualized rate in the first quarter. While growth fell short of expectations, it still represents a marked acceleration from the 0.4% pace of the prior quarter. GDP was boosted by a ramp up in personal spending; however, the rate of business spending slowed. Overall, much of the recent economic data suggests a loss of momentum that's starting to feel like an unwelcome springtime tradition. The pace of the recovery will remain somewhat sluggish and uneven in the coming months as the effects from the sequestration begin to set in, making an early end to the Fed's QE3 program unlikely.



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