

Economic Landscape

August 2024

MANUFACTURING

- The manufacturing sector continues to struggle as the ISM PMI registered 46.8 percent for July suggesting a greater degree of contraction since the 48.5 percent recorded for June. New orders, production, and employment were all notably weaker in the July report. The weakness in activity did not, however, translate to any softening in prices as that index rose by 0.8 percentage point to 52.9 percent.
- Industrial production decreased by 0.6% in July, with some of the weakness attributed to shutdowns related to Hurricane Beryl. Factory output fell by 0.3%, largely in durable goods. Mining production was flat as gains in oil extraction were offset by Beryl-related shutdowns in NGL extraction. Utilities output declined by 3.7% due mostly to a drop in electric utilities. The capacity utilization rate slid to 77.8%, which is 1.9 percentage points below the 1972-2023 average.

LABOR MARKETS

- U.S. payroll growth slowed in July, gaining just 114,000 jobs. Among the industries adding jobs were health care (+55,000); construction (+25,000); leisure and hospitality (+23,000); government (+17,000); transportation and warehousing (+14,000); and social assistance (+9,000). Information employment fell by 20,000. The official unemployment rate rose from 4.1% for June to 4.3% in July. Wage growth continued to cool, up \$0.08 or 0.2% for the month; over the past 12 months, average wages have increased by 3.6%.

PRICES

- Consumer price pressures continued to moderate in July as the headline CPI increased 0.2%. Food prices also rose 0.2% for the month reflecting gains in groceries (+0.1%) as well as dining out (+0.2%). The energy index was unchanged with gasoline prices flat, and the rise in electricity (+0.1%) and fuel oil (+0.9%) offsetting the drop in natural gas (-0.7%). Excluding food and energy, core CPI increased 0.2% in July led by the gain in shelter (+0.4%); prices were also higher for motor vehicle insurance (+1.2%) and prescription drugs (+0.1%). Prices were lower in July for new vehicles (-0.2%), used cars and trucks (-2.3%), and airline fares (-1.6%). Year over year through July, the Consumer Price Index rose 2.9% and core CPI is up 3.2%.
- The Producer Price Index rose 0.1% in July, with the increase primarily attributed to higher goods prices (+0.6%). Service prices declined by 0.2%, the biggest drop in over a year thanks to a 1.3% decrease in trade margins. U.S. import prices edged 0.1% higher in July with nonfuel import prices up 0.1% while prices for imported fuels rose 0.5%. U.S. export prices advanced 0.7% in July following two consecutive months of declines. Agricultural export prices decreased by 1.6% for the month, while nonagricultural export prices increased by 1.0%.

SALES

- Retail sales came in stronger than expected in July, up 1.0%. Auto sector sales rose 3.6% for the month putting sales ex-auto up 0.4%. Other gains include sales at electronics & appliance stores (+1.6%); home improvement stores (+0.9%); grocery stores (+1.0%); health & personal care stores (+0.8%); home furnishing stores (+0.5%); gas stations (+0.1%); online retailers (+0.2%); and bars & restaurants (+0.3%).

THE BEACONS ARE LIT

At the annual Jackson Hole Economic Policy Symposium, Fed Chairman Jay Powell noted that the balance of risks between inflation and employment has shifted, stating that further cooling in labor markets is unwelcome and that “the time has come” to start lowering rates. While this call to action endorses an initial cut in September, the size of that cut and the number and pace of subsequent cuts will remain dependent upon the data as it becomes available.

Information and opinions expressed herein are of a general nature and should not be construed as investment or economic advice. Relevant information was obtained from sources deemed to be reliable, but First Commonwealth does not guarantee it to be accurate. Opinions and forecasts are subject to change without notice. First Commonwealth does not assume any liability for any loss that may result from a person acting on this information.

