

# Economic Landscape

May 2020

## MANUFACTURING

- The ISM manufacturing index fell from 49.1% in March to 41.5% in April, with the indices for new orders, production, and employment coming in under 28%. The supplier delivery index rose to 76.0% representing the highest level (i.e. the longest wait times) in 46 years. The ISM Prices Index contracted by 2.1 percentage points to 35.3%.
- Industrial production plummeted by 11.2% in April, the biggest monthly decline in the 101-year history of the data series. Utilities output decreased 0.9% for the month with a big drop in electricity was partially offset by an increase in natural gas as cooler temperatures led to higher heating demand. Mining production fell 6.1% with large drop-offs in crude oil extraction, oil and gas well drilling, and coal mining. Factory output decreased 13.7% in April including a 71.7% decline in the production of motor vehicles and parts. The capacity utilization rate decreased to 64.9% in April, a level 14.9% below the 1972-2019 average.

## LABOR MARKETS

- The U.S. economy lost a reported 20,537,000 jobs in April and employment numbers for February and March were revised to be 204,000 lower than previously reported. Job losses in April were broad with significant declines in leisure and hospitality (-7.7 million); education and health services (-2.5 million); professional and business services (-2.2 million); retail trade (-2.1 million); and manufacturing (-1.3 million). The official unemployment rate rose from 4.4% in March to 14.7% for April; however the Bureau of Labor Statistics (BLS) noted irregularities and errors in the collection and recording of data related to the COVID-19 pandemic. According to BLS, if the data had been classified correctly then the actual overall unemployment rate for April would have been nearly 5 percentage points higher than reported.

## PRICES

- Consumer prices fell 0.8% in April marking the largest monthly decline since December 2008. The energy index decreased 10.1% with prices down sharply for gasoline (-20.6%) and fuel oil (-15.6%). Consumer food prices increased 1.5% in April, with the index for food at home up 2.6%. Core consumer prices dropped 0.4% with prices lower for apparel, motor vehicle insurance, used cars and trucks, and lodging away from home. Over the past 12 months, headline CPI is up a slight 0.3% while core CPI increased 1.4%.
- The Producer Price Index for final demand (PPI) decreased 1.3% in April, with goods prices down 3.3% and services prices down 0.2%. U.S. import prices declined 2.6% for the month, largely attributed to the 31.5% fall in prices for imported fuel. U.S. export prices declined by 3.3% in April.

## SALES

- Retail sales posted another record decline, falling 16.4% in April following an 8.3% drop in March. Sales at motor vehicles and parts dealers decreased 12.4% in April, while gas station sales fell 28.8%. The only category to post a gain in April was nonstore retailers, up 8.4% and capturing roughly 19% of overall retail sales. Among the biggest monthly declines in sales were home furnishings stores (-58.7%); electronics and appliance stores (-60.6%); clothing stores (-78.8%); sporting goods, hobby, musical instrument, and book stores (-38.0%); and food and drink establishments (-29.5%). Grocery store sales fell 13.2% in April after surging by 28.6% in March, and remain elevated relative to year ago levels.

## READY FOR SOME U, V RAYS

*The U.S. economy has likely bottomed out some time over the period between April and early May. Watching the phased reopening of the states across the country there is enough anecdotal evidence of pent-up demand to suggest that consumer spending will recover in a sharper "V-shape", returning to positive levels in the third quarter. But occupancy limits, quarantine protocols, and global supply chain disruptions will make the recovery much slower for industries such as the leisure and entertainment, travel, and manufacturing. We anticipate more of a "U-shaped" recovery across the broader economy, where the sharp decline is followed by a period of stagnant or anemic growth eventually developing into a steady rise. No doubt better days are ahead for much of the country, but the questions of "how much better?" and "how far ahead?" do not have simple – or uniform – answers.*

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