

# Economic Landscape

July 2020

## MANUFACTURING

- The ISM manufacturing index rose from 43.1% in May to 52.6% for June. The indices for new orders and production shifted from contraction to growth, and the pace of contraction in employment slowed. The index for supplier delivery performance indicates that deliveries are still slow but that COVID-related supply chain disruptions are lessening. After four consecutive months of declines, the ISM Prices Index increased to 51.3% reflecting that manufacturers paid higher prices for raw materials in June.
- Industrial production advanced by 5.4% in June following the 1.4% gain in May. Factory output rose 7.2% in June led by durable goods production, but remained 11.1% below the February pre-COVID level. Utilities output increased 4.2% for the month, while mining production declined 2.9%. Capacity utilization increased 3.5 percentage points to 68.6%, a level 11.2 percentage points below the 1972-2019 average.

## LABOR MARKETS

- U.S. payrolls exceeded expectations and rose by 4.8 million jobs in June with significant gains in leisure and hospitality (+2.1 million); retail trade (+740,000); health care (+358,000); manufacturing (+356,000); professional and business services (+306,000); and construction (+158,000). The headline unemployment rate fell from 13.3% in May to 11.1% for June, though the Bureau of Labor Statistics noted ongoing challenges in the collection and accurate recording of respondent data.

## PRICES

- The Consumer Price Index increased 0.6% in June. Energy prices surged 5.1% led by gains for gasoline (+12.3%) and fuel oil (+10.2%); electricity prices decreased 0.3%. Consumer food prices advanced 0.6% with prices rising for food at home (+0.7%) and away from home (+0.5%). Excluding energy and food, core CPI rose 0.2% with prices rising for vehicle insurance, apparel, shelter, medical services, prescription drugs, airfare, and tobacco. Over the past 12 months, headline CPI is up 0.6% while core CPI rose 1.2%.
- The Producer Price Index for final demand fell 0.2% for the month, driven by declining trade margins and wholesale food prices. Excluding food, energy, and trade services, core PPI rose 0.3% in June. U.S. import prices increased 1.4% for the month, led by higher prices for fuel imports including petroleum and natural gas. Nonfuel import prices rose 0.3% in June. Export prices also rose 1.4% in June, with matching gains in the prices for agricultural and nonagricultural exports.

## SALES

- Following an upwardly-revised gain of 18.2% in May, retail sales rose another 7.5% in June. Auto sector sales increased 8.2% for the month and gas station sales climbed 15.3%, leaving sales ex-auto, parts, and gas up 6.7%. Despite registering significant gains in June, gas stations; electronics and appliance stores (+37.4%); clothing stores (+105.1%); department stores (+19.8%); and bars and restaurants (+20.0%) remain well below year-ago and pre-recession levels indicating that we still have a long way to go. Among the industries that have notably increased sales year over year are home improvement stores (+17.3%); grocery stores (+11.7%); sporting goods, hobby, musical instrument, and book stores (+20.6%); and nonstore retailers (+23.5%).

## DON'T STOP ME NOW

*The U.S. economic recovery remained robust in the first half of June, but the resurgence of COVID-19 cases has a number of states tapping the brakes on their reopening plan. Slowing the process will naturally result in less robust job growth and consumer spending in the next few months. On the positive side, there has been encouraging progress made toward a vaccine providing a distant light at the end of this tunnel. Consumer households continue to build savings, and are likely poised to unleash their pent up demand once it becomes safe to do so.*

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