

# Economic Landscape

September 2020

## MANUFACTURING

- The ISM PMI rose from 54.2% in July to 56.0% for August as the manufacturing sector continued to recover from the effects of the pandemic-related spring shutdowns. New orders, new export orders, production, and order backlogs accelerated. Inventories were run off more quickly, while the pace of contraction in manufacturing employment slowed but remains at a level that suggests ongoing weakness.
- Industrial production rose 0.4% in August, somewhat short of expectations but mitigated by an upward revision to July from 3.0% to 3.5%. Factory output advanced by 1.0% in August despite a decline in auto production. Mining operations were temporarily disrupted by Hurricane Laura and Tropical Storm Marco, leaving mining production down 2.5% for the month. Utilities output declined 0.4% in August. The capacity utilization rate rose 0.3 percentage points to 71.4% from July to August, but remains 8.4 percentage points below the 1972-2018 average of 79.8%.

## LABOR MARKETS

- In August, the U.S. economy added 1.37 million jobs with notable increases in government (+344,000); retail trade (+249,000); professional and business services (+197,000); leisure and hospitality (+174,000); education and health services (+147,000); transportation and warehousing (+78,000); financial activities (+36,000); and manufacturing (+29,000). The August job gains bring the total number of jobs recovered to an estimated 10.6 million, or roughly 48% of the 22.2 million jobs lost earlier this year. The official unemployment rate decreased to 8.4% for August, down from the cycle peak of 14.7% in April.

## PRICES

- Consumer prices continued to normalize with the 0.4% August rise in the headline Consumer Price Index. The food index edged 0.1% higher on rising prices for food away from home (+0.3%). The consumer energy index increased 0.9% with gasoline prices up 2.0% in August. Excluding food and energy, core consumer prices advanced 0.4% for the month reflecting a sharp increase in the index for used cars and trucks, as well as higher prices for shelter, recreation, and household furnishings. Year over year, CPI increased 1.3% and core CPI rose 1.7%.
- The Producer Price Index gained 0.3% in August following a 0.6% increase in July. For August, goods prices ticked up 0.1% despite declines in both foods (-0.4%) and energy (-0.1%). Service prices rose 0.5% for the month, with gains in trade margins, transportation, and other services. Meanwhile, U.S. import prices increased 0.9% in August, but remain down by 1.4% over the past 12 months. Export prices are +0.5% in August and -2.8% year over year.

## SALES

- Retail sales news was disappointing as the 0.6% rise in August was weaker than expected and July sales were revised lower (from 1.2% to 0.9%). Auto sector sales were up 0.2% in August and gas station sales rose 0.4%, leaving sales ex-auto and gas up 0.7%. Other industries with higher sales include furniture and home furnishings (+2.1%); electronics and appliance stores (+0.8%); home improvement stores (+2.0%); health and personal care stores (+0.8%); clothing stores (+2.9%); and bars and restaurants (+4.7%). Overall, retail sales have increased 2.6% from year ago levels.

## ANOTHER SMALL STEP TOWARD NORMAL

*The U.S. economy remains on the path to recovery, but the pace of improvement in both July and August has notably slowed from that of May and June. The recovery in business spending is lagging the recovery in consumer spending, and consumers had been spending more on goods rather than services. Despite retail sales being somewhat lackluster in August, they also reflected some early rotation from the lockdown-related goods toward the pre-pandemic demand for services.*

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