

Economic Landscape

December 2020

MANUFACTURING

- The pace of growth in the manufacturing sector was slightly slower, as the ISM PMI dropped from 59.3% in October to 57.5% for November. New orders and production decelerated but overall remained strong, and export orders got stronger for the month. Supplier deliveries and order backlogs suggest that manufacturers have a healthy pipeline.
- Industrial Production notched a 0.4% gain in November after rising by 0.9% in October. Factory output gained 0.8% for the month as motor vehicles and parts assemblies rose (+5.3%) along with primary metals (=3.8%); computers and electronics (+1.1%); and aerospace and miscellaneous transportation equipment (+1.8%). Mining production (+2.3%) increased broadly across all major sectors, while utilities output fell 4.3%. The capacity utilization rate rose 0.3 percentage points to 73.3%, which is 6.5 percentage points below the 1972-2019 average but is roughly in line with the rate one year ago.

LABOR MARKETS

- November payrolls rose 245,000, well short of expectations. Job gains were registered in transportation and warehousing (+145,000); professional and business services (+60,000); health care (+46,000); construction (+27,000); manufacturing (+27,000), and financial activities (+15,000). Government payrolls continue to decline as Census 2020 continues to wind down (-93,000). Employment in retail trade declined (-34,700) on a seasonally adjusted basis due to less holiday hiring than is typical. The official unemployment rate edged down from October's 6.9% to 6.7% in November.

PRICES

- Following no change in October, the Consumer Price Index advanced 0.2% in November. The food index edged lower with the drop in grocery prices more than offsetting a slight increase in food from restaurants. Despite a decline in gasoline prices, the energy index rose as prices climbed for natural gas and electricity. Excluding food and energy, core CPI increased 0.2%. Year over year, headline CPI rose 1.2% and core CPI increased 1.6%.
- The Producer Price Index ticked 0.1% higher in November, driven by the 0.4% increase in goods prices; the price index for services was unchanged. Prices for U.S. imports rose 0.1% in November after falling 0.1% in the prior month. Fuel import prices jumped 4.3%, while nonfuel import prices declined 0.3%. Export prices increased 0.6% in November, with agricultural prices surging by 3.7% and prices for nonagricultural exports rose 0.3%.

SALES

- Retail sales declined 1.1% in November following a 0.1% decrease in the prior month. Auto sector sales fell 1.7% and gas station sales were down 2.4% in November, leaving sales ex-auto and gas 0.8% lower than in October. Sales also declined for furniture stores (-1.1%); electronics and appliance stores (-3.5%); clothing stores (-6.8%); sporting goods, hobby, musical instrument, and book stores (-0.6%); department stores (-7.7%); and bars and restaurants (-4.0%).

A HOPEFUL NEW YEAR

The holidays feel dimmer this year. COVID cases continue to surge and many states have increased mobility restrictions to try and mitigate the spread, which will curb near-term economic recovery and deal further damage to the leisure and hospitality sector. The good news is that relief is on the way. Fed officials have reaffirmed their commitment to keep interest rates low and capital markets liquid. The House and Senate have (finally) passed a stimulus package that could start to provide assistance to struggling Americans and small businesses before year end. Best of all, effective COVID-19 vaccines have been approved for emergency use, and it's expected that by next summer many Americans will have had the opportunity to get vaccinated. It's going to take some time – including months of continued mask-wearing and social-distancing – but brighter days are ahead.