

Economic Landscape

January 2021

MANUFACTURING

- The manufacturing sector has remained resilient, as the ISM manufacturing index advanced to 60.7% in December. The index was boosted by acceleration in new orders, production, and employment as well as slower supplier delivery times. The ISM Prices index jumped 12.2 percentage points in December to 77.6%, the highest reading in over two years further underscoring the supply constraints.
- Industrial production increased 1.6% in December reflecting widespread gains across market groups. Factory output advanced 0.9%, despite a 1.6% decline in the December production of motor vehicles and parts. Mining production rose 1.6% on stronger oil and gas extraction and drilling. The output of utilities 6.2% higher for the month.

LABOR MARKETS

- Renewed efforts to curb the spread of COVID had a negative effect on employment in December as nonfarm payrolls fell by 140,000 jobs. Gains in professional and business services (+161,000); construction (+51,000); manufacturing (+38,000); retail trade (+120,500); health care (+38,800); and financial activities (+12,000) were more than offset by the 498,000 jobs lost in the leisure and hospitality industry last month. Government payrolls also declined (-45,000), primarily at the state and local level. The official unemployment rate held steady in December at 6.7%.

PRICES

- The Consumer Price Index rose 0.4% in December following a 0.2% gain in November. The food index advanced by 0.4% for the month with prices up for both groceries as well as dining out. The energy index continued to firm and increased 4.0% in December. Excluding food and energy, core consumer prices edged 0.1% higher. Over the past twelve months, the headline Consumer Price Index advanced 1.4% and core CPI increased 1.6%.
- Producer prices increased by 0.3% in December. The index for goods prices rose 1.1%, led by a 5.5% increase in the prices for final demand energy. Producer service prices ticked 0.1% lower as margins were squeezed. U.S. import prices advanced 0.9% in December driven by significant increases in fuel import prices (+7.8%). Nonfuel prices were 0.4% higher. Export prices rose 1.1% last month with agricultural prices up 0.6% and nonagricultural exports rising 1.3%.

SALES

- Retail sales ended the year on a weak note, as sales fell 0.7% in December following a 1.4% drop the prior month. The drop was broadly based, with notable declines in sales at electronics and appliance stores (-4.9%); department stores (-3.8%); nonstore retailers (-5.8%); and bars and restaurants (-4.5%). It's worth noting that seasonal adjustments to the monthly figures may be distorted by pandemic-related changes to shopping behavior. Over the full 12 months of 2020, retail sales increased by 2.9%.

A SHOT IN THE ARM

Renewed restrictions to limit gatherings over the holidays and curb the winter COVID surge did restrain broader economic activity, and the people and businesses hit the worst were largely the ones already lagging the nascent recovery. The year-end stimulus package is still making its way into the economy, and the new administration is looking to Congress to provide even more fiscal support. The inevitable give-and-take negotiations could push the next round of stimulus to March, though there is bipartisan support to increase funding for vaccine distribution. With improved resources and logistics, the vaccine rollout should continue to ramp up, and as it does expect consumer spending to pick up as well.

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