

# Economic Landscape

February 2024

## MANUFACTURING

- The ISM Manufacturing PMI rose to 49.1% for January, a reading better than expected albeit still below the 50% breakeven and therefore still signaling some contraction in the manufacturing sector. The indices for new orders (52.5%) and production (50.4%) both picked up, while employment slipped (47.1%) and input prices rose (52.9%).
- Industrial production ticked 0.1% lower in January following a flat December. Factory output fell by 0.5%, predominantly attributed to a 1.1% drop in nondurable production including petroleum and coal products, chemicals, and plastic and rubber products. Durable manufacturing was slightly higher in January led by gains electrical equipment, aerospace and miscellaneous transportation equipment, as well as computer and electronic products. Weather was a factor in the 2.3% decrease in January mining output, while utilities production jumped up 6.0%. The capacity utilization rate was a bit weaker in January at 78.5%, which is 1.1 percentage points below the 1972-2023 average.

## LABOR MARKETS

- Payrolls rose by 353,000 in January with private sector job gains in professional and business services (+74,000); health care (+70,000); retail trade (+45,000); social assistance (+30,000); and manufacturing (+23,000). Revisions to data for November and December account for a combined 126,000 more jobs than previously reported. The official unemployment rate held steady at 3.7% in January for a third consecutive month, while the labor force participation rate was unchanged at 62.5%. Average hourly earnings rose by 0.6% in January and are up by 4.5% over the past 12 months.

## PRICES

- The January Consumer Price Index (CPI) came in a tenth of a percent hotter than expected at 0.3%. The monthly food index rose 0.4% in January with grocery prices up 0.4% and prices for dining out increasing 0.5%. The energy index declined 0.9% for the month as gains in electricity (+1.2%) and natural gas (+2.0%) were more than offset by decreases in prices for gasoline (-3.3%) and fuel oil (-4.5%). Excluding food and energy, core CPI rose 0.4% in January led by increases in the costs for shelter (+0.6%), motor vehicle insurance (+1.4%), recreation (+0.5%), and medical care services (+0.7%). Used cars and trucks (-3.4%) and apparel (-0.7%) were among the categories with prices declines in January. Year over year, headline CPI fell to 3.1% in January while core CPI was little changed at 3.9%.

## SALES

- Retail sales decreased 0.8% in January. Sales at motor vehicle and parts dealers declined 1.7% for the month, leaving sales ex-auto down 0.6%. Sales were broadly lower with declines also registered in electronics and appliance stores (-0.4%); home improvement stores (-4.1%); health and personal care stores (-1.1%); gas stations (-1.7%); clothing stores (-0.2%); sporting goods, hobby, book, and music stores (-0.2%); and online retailers (-0.8%). Consumers maintained an appetite for dining out as bar and restaurant sales increased (+0.7%), and there were also gains at furniture stores (+1.5%); grocery stores (+0.6%); and department stores (+0.5%).

## CUE THE HOLD MUSIC

*As expected, the Fed held rates steady at the January FOMC meeting noting that while inflation has improved, the officials need to gain "greater confidence that inflation is moving sustainably toward 2 percent" before they're ready to start cutting rates. Given the persistent strength of labor markets as well as the stickiness of wage and shelter inflation, the Fed is likely to remain on hold into the late spring.*

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