

Economic Landscape

June 2021

MANUFACTURING

- The ISM index rose from 60.7% in April to 61.2% in May. Demand remained strong as new orders, new export orders, and order backlogs accelerated. Supplier deliveries in May reached the highest level since 1974 indicating long wait times. The ISM Prices Index fell slightly in May to 88.0%. The Employment Index registered 50.9% as the pace of hiring was steady from April to May, but respondents noted difficulty in filling open positions. Production slowed to 58.5% (from 62.5% in April). While the manufacturing sector remains solid overall, growth in May was curbed by slow delivery times, material and part shortages, and a scarcity of available workers.
- Industrial production advanced 0.8% in May following a 0.1% gain in April. Factory output improved greatly in May, rising 0.9% overall with production of motor vehicles and parts up 6.7%. Mining production rose 1.2% for the month, and utilities output gained 0.2%. Capacity utilization increased by 0.6 percentage points to 75.2%.

LABOR MARKETS

- Payroll gains fell short of expectations again in May, but the 559,000 jobs added were an improvement from April. Industries registering significant job gains in May are leisure and hospitality (+292,000); local government education (+53,000), state government education (+50,000), and private education (+41,000); health care and social assistance (+46,000); information (+29,000); manufacturing (+23,000); transportation and warehousing (+23,000); and wholesale trade (+20,000). Net revisions to March and April payroll figures account for 27,000 more jobs than previously reported. Compared to the employment peak in February 2020, there were 7.6 million fewer jobs in May. The official unemployment rate decreased by 0.3 percentage points to 5.8%, and the labor force participation rate edged down to 61.6%.

PRICES

- The headline Consumer Price Index increased 0.6% in May following a 0.8% gain in April. Consumer food prices rose 0.4% for the month. A 2.3% increase in beef prices helped drive up grocery costs (+0.4%), while prices for dining out rose 0.6%. The energy index was flat in May as a decline in gasoline prices offset higher prices for natural gas and electricity. Excluding food and energy, core consumer prices rose 0.7% driven by another big gain in prices for used cars and trucks (+7.3%). Year over year, CPI increased 5.0% and core CPI gained 3.8%.
- Producer prices rose 0.8% in May with goods prices up 1.5% for the month and services prices gaining 0.6%. U.S. import prices rose 1.1% in May following a 0.8% increase for April. Prices for fuel imports jumped 4.0% for the month reflecting price increases for both petroleum and natural gas imports. Nonfuel imports rose 0.9% in May as higher prices for industrial supplies and materials (+4.9%) and finished goods (+0.2%) overtook the decline in foods, feeds, and beverages (-0.4%). Export prices increased 2.2% in May led by gains in agricultural prices (+6.1%) and industrial supplies and materials (+4.1%).

SALES

- While retail sales dropped by 1.3% in May, data was revised higher for March (+11.3%) and April (+0.9%) suggesting sales remain at robust levels overall. Sales dropped in May at motor vehicle & parts dealers (-3.7%); furniture stores (-2.1%); electronics & appliance stores (-3.4%); building material & garden equipment supplies dealers (-5.9%); sporting goods, hobby, musical instrument, & book stores (-0.8%); and nonstore retailers (-0.8%). Sales rose at grocery stores (+1.2%); health & personal care stores (+1.8%); gas stations (+0.7%); clothing stores (+3.0%); and bars & restaurants (+1.8%). Over the past 12 months, retail sales have increased by 28.1%.

SOME LIKE IT HOT

The U.S. economy continues to recover and grow. Prices continue to heat up and will likely remain elevated into early 2022 as supply chain bottlenecks gradually ease. Despite rising inflationary pressures, the Fed held the target fed funds rate steady and made no changes to the monthly asset purchase program. The focus of the Fed remains geared toward further improvement in labor markets and the latest economic projections reflect their expectations that inflationary pressures will subside over time.

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