

Economic Landscape

September 2021

MANUFACTURING

- Despite expectations for a decline, the August PMI registered 59.9 percent, an increase of 0.4 percentage point from the 59.5% in July. The backdrop for demand stayed strong with gains in new orders and new export orders. Customers' inventories remained low but reflected a modest start to inventory rebuilding. Backlogs worsened and delivery times were slow with continued supply chain challenges. The employment index contracted as labor shortages remain an issue. The ISM Prices index came in at 79.4% pointing to higher prices but also marking the second consecutive month that the pace has eased.
- Hurricane-related disruptions restrained industrial production in August, but the 0.4% gain was enough to push total output back above the pre-pandemic (February 2020) threshold. Factory output increased 0.2% and mining production declined 0.6% as Hurricane Ida curbed activity in petrochemicals, plastic resins, petroleum refining, and oil and gas extraction. Utilities output jumped 3.3% as unseasonably hot temperatures lifted air conditioning usage. Capacity utilization improved by 0.2 percentage points to 76.4%, compared to the long-run (1972-2020) average rate of 79.6%.

LABOR MARKETS

- Nonfarm payrolls fell well short of expectations in August, adding just 235,000 jobs. Employment rose notably in professional and business services (+74,000); transportation and warehousing (+53,000); private education (+40,000); manufacturing (+37,000); and other services (+37,000). Leisure and hospitality employment was flat. Payrolls for June and July were revised higher for a combined 134,000 more jobs than previously reported, however employment is still 5.3 million jobs below the February 2020 peak. The labor force participation rate was unchanged at 61.7%, and the official unemployment rate decreased by 0.2 percentage points to 5.2%.

PRICES

- The headline Consumer Price Index increased by a moderate 0.3% in August following a 0.5% rise in July. Consumer energy prices advanced 2.0% as gains in gasoline (+2.6%), electricity (+1.0%), and natural gas service (+1.6%) more than offset the decline (-2.1%) in fuel oil prices. The food index rose 0.4% with matching increases for groceries and restaurants. Excluding food and energy, core consumer prices edged 0.1% higher in August. Prices rose for new vehicles, shelter, recreation, and medical care; prices declined for airfares, used cars and trucks, and vehicle insurance.
- The August Producer Price Index rose 0.7% with service prices up 0.7% and goods prices moving up by 1.0%. Rising food prices account for a large portion in the gain in goods, while growing trade margins pushed services higher. The U.S. Import Price Index fell 0.3% for the month led by a 2.3% decline in imported fuel prices and a 1.3% drop in prices for nonfuel industrial supplies and materials. U.S. export prices increased 0.4% in August reflecting higher prices for agricultural products, nonagricultural industrial supplies and materials, and other finished goods.

SALES

- Sales at U.S. retail businesses posted a surprise gain, rising 0.7% in August after falling 1.8% in July. Auto sector sales dropped 3.6%, leaving sales ex-auto up 1.8% for the month. Sales rose at furniture stores (+3.7%); home improvement stores (+0.9%); grocery stores (+2.1%); health & personal care stores (+0.2%); gas stations (+0.2%); clothing stores (+0.1%); department stores (+2.4%); and nonstore retailers (+5.3%). Bar and restaurant sales were flat from July to August.

DELTA HOUSE

Rising Delta variant cases may have contributed to some spottiness in economic activity, but better-than-expected retail sales and a slight cooling in inflationary pressures point to some underlying strength in the recovery. Although the August jobs report was a disappointment, there are abundant job openings and hiring should pick up in the coming months with the expiration of extended unemployment benefits and the return to in-person learning across the country for most school aged children.

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