

Economic Landscape

November 2021

MANUFACTURING

- The ISM manufacturing PMI slipped from 61.1% in September to 60.8% for October. Production moderated slightly, down a tenth, while the index for new orders fell from 66.7% to 59.8% - a big drop but still a very strong reading. Slower supplier deliveries indicated worsening bottlenecks, and prices accelerated. Employment, however, picked up.
- Industrial production advanced 1.6% for October, with approximately half the increase reflecting recovery from the damage and disruptions of Hurricane Ida. Factory output rose 1.2% led by strong automotive production. Utilities output increased 1.2% and mining production rose 4.1%. Capacity utilization increased to 76.4%, a level 3.2 percentage points below the 1972-2020 average of 79.6%.

LABOR MARKETS

- October employment exceeded expectations, rising by 531,000 jobs with significant gains in leisure and hospitality (+164,000); professional and business services (+100,000); manufacturing (+60,000); and transportation and warehousing (+54,000). The U.S. economy has added 18.2 million jobs since the pandemic low point in April 2020, but employment is still 4.2 million jobs below the February 2020 peak. Employment figures for August and September were revised for a combined 235,000 jobs more than previously reported. The official unemployment rate dropped 0.2 percentage points to 4.6%.
- Job openings were slightly lower at 10.4 million and hires were little changed at 6.5 million in the September JOLTS. Within separations, the number of employees quitting jobs rose by 164,000 to a series high of 4.4 million and the quits rate hit a series high 3.0%.

PRICES

- The Consumer Price Index rose 0.9% in October reflecting broad-based increases. Energy prices jumped 4.8% with gains in gasoline (+6.1%), natural gas (+6.6%), electricity (+1.8%), and fuel oil (+12.3%). The consumer food index increased 0.9% for the month with grocery prices up 1.2% and the price of dining out 0.8% higher than September. Core CPI increased 0.6% for the month with gains prices for shelter, used cars and trucks, new vehicles, medical care, household furnishings, and recreation. Over the past 12 months, headline CPI has increased 6.2% and core CPI rose 4.6%.
- Producer prices advanced 0.6% in October, with over 60 percent of the gain attributable to higher goods prices (+1.2%), particularly energy. Prices for services moved up 0.2% on higher margins.
- Prices for U.S. imports increased 1.2% in October, predominantly on the 8.6% surge in fuel import prices. Export prices rose 1.5% for the month with increases for agricultural and nonagricultural goods.

SALES

- Retail sales rose 1.7% in October following an upwardly-revised gain of 0.8% in September. Sales increased at auto and auto parts dealers (+1.8%) and gas stations (+3.9%). Excluding autos and gas, sales rose 1.4% with notable increases at electronics and appliance stores (+3.8%); home improvement stores (+2.8%); grocery stores (+1.1%); sporting goods, hobby, music, and book stores (+1.5%); department stores (+2.2%); and online retailers (+4.0%). Bar and restaurant sales were flat. Retail sales are up 16.3% year over year.

THAT OLD FAMILIAR FED

While the odds were ever in his favor, the renomination of Fed Chair Jerome Powell removes some uncertainty from the markets by providing a sense of policy continuity. The Fed began winding down the monthly purchases of Treasuries and mortgage-backed securities earlier this month, and federal funds futures suggest growing odds of three or more rate hikes next year. We expect the Fed to remain as data dependent as ever, and continuing gains in labor markets should support ongoing economic growth. Hiring in trucking and related areas as well as government focus on supply chain issues should help slow the bottleneck and lessen supply-side inflationary pressures.

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