

Economic Landscape

November 2023

MANUFACTURING

- The ISM manufacturing index dropped from 49.0% in September to 46.7% in October marking 12 consecutive months of contraction for the manufacturing economy. New orders worsened (down 3.7 points to 45.5%), extending that contraction streak to 14 months. Employment fell below the breakeven to 46.8%, while production was nearly flat at 50.4%. The ISM Prices Index was 45.1% suggesting a sixth straight month of falling input prices.
- In the worst monthly decline this year, industrial production fell 0.6% in October. Factory output dropped 0.7% with much of the decline attributed to the 10.0% fall in motor vehicle and parts production affected by the UAW strikes. Utilities output decreased 1.6% and mining production rose 0.4%. The capacity utilization rate declined by 0.6 percentage points to 78.9%, a rate 0.8 points below the 1972-2022 average.

LABOR MARKETS

- The U.S. economy added 150,000 jobs in October reflecting gains in health care (+58,000); government (+51,000); construction (+23,000); social assistance (+19,000); and leisure & hospitality (+19,000). Manufacturing payrolls declined by 35,000 in October, due almost entirely to the UAW strike. The official unemployment rate ticked up to 3.9% while the labor force participation rate edged down to 62.7%. Average hourly earnings rose by 0.2% in October, bringing the year over year increase down to 4.1%.
- Job openings were relatively flat in September at 9.6 million (+56,000), as were the number of hires at 5.9 million (+21,000). Total separations fell by 157,000 for the month, and within separations quits were flat (-2,000) while layoffs declined by 165,000. The quits rate was unchanged at 2.3%.

PRICES

- The headline Consumer Price Index (CPI) was unchanged in October following a 0.4% increase in September. Food prices rose 0.3% with grocery prices up by 0.3% and prices to eat out up by 0.4% in October. The energy index declined by 2.5%, led by falling prices for gasoline (-5.0%) and fuel oil (-0.8%). Excluding food and energy, the core CPI rose 0.2% for the month. Shelter was the largest driver of the increase, up 0.3% in October, with prices also rising for vehicle insurance, recreation, personal care, apparel, and medical care. Over the past twelve months, CPI has increased by 3.2% and core CPI rose 4.0%.
- The Producer Price Index fell by 0.5% in October after rising 0.4% in the prior month. While the index for service prices was unchanged, the index for goods prices moved 1.4% lower, largely due to a 15.3% plunge in gasoline prices. Energy was also a major factor in the 0.8% decline in U.S. import prices, as imported fuel prices dropped 6.3% in October. Nonfuel import prices decreased by 0.2% for a third consecutive month. U.S. export prices declined 1.1% with an equivalent drop in agricultural exports as well as a 1.0% fall in nonagricultural prices including industrial supplies and materials.

SALES

- Retail sales declined 0.1% in October, falling less than expected. Auto sector sales slipped 1.0%, leaving sales ex-auto up a modest 0.1%. Sales also decreased at furniture stores (-2.0%); home improvement stores (-0.3%); gas stations (-0.3%); sporting goods, hobby, et al. (-0.8%); and department stores (-1.2%). Sales rose at electronics & appliance stores (+0.6%); grocery stores (+0.7%); health & personal care stores (+1.1%); online retailers (+0.2%); and restaurants & bars (+0.3%).

SWEATER WEATHER

The air outside isn't the only thing cooling these days, as much of the recent data reflects a gradual cooling in economic conditions. While retail sales suggest that consumer spending remains resilient, slower job growth and wage growth may eventually lead to some restraint in discretionary purchases. The better-than-expected CPI indicates that inflation may still be higher than desired, but it continues to trend in the right direction. The cooler economic weather will help to keep the Fed on pause through the end of the year.

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