

Economic Landscape

May 2022

MANUFACTURING

- The ISM manufacturing index slowed from 57.1% in March to 55.4% for April, marking the slowest pace since September 2020. The Prices Index dropped 2.5 percentage points to 84.6% for the month. Delivery times slowed and the Inventories Index plunged by 4.0 points in April as manufacturers struggle to attain input parts and materials. Backlogs moderated a little along with new orders and new export orders.
- Total industrial production rose 1.1% in April following a 0.9% gain in the prior month. Factory output increased 0.8% in April led by strong production in motor vehicles and parts (+3.9%). Utilities output rose 2.4% reflecting gains for both electric (+2.1%) and natural gas (+4.4%) utilities. Mining production continues to rise, up 1.6% in April. The capacity utilization rate rose to 79.0%, just 0.5 percentage points below the longer run (1972-2021) average.

LABOR MARKETS

- U.S. payrolls added 428,000 jobs in April, with notable job gains in leisure and hospitality (+78,000); manufacturing (+55,000); transportation and warehousing (+52,000); professional and business services (+41,000); financial activities (+35,000); and health care (+34,000). Over the past 12 months, average hourly earnings have risen by 5.5%. The labor force participation rate edged 0.2 percentage points lower to 62.2% in April, and the official unemployment was unchanged at 3.6%.
- Job openings recorded a series high 11.5 million in the March JOLTS. Hires were steady at 6.7 million, but total separations rose (+239,000) to 6.3 million. Within separations, the number of quits leveled up (+152,000) to a series high of 4.5 million and the quits rate was 3.0%. There were approximately 5.6 million more job openings than unemployed workers in March 2022 which marks the widest gap on record to date.

PRICES

- After rising 1.2% in March, the Consumer Price Index increased 0.3% in April. Food prices rose 0.9% for the month, representing the 17th consecutive monthly gain in the food index. Grocery prices rose 1.0% in April and prices to dine out advanced 0.6%. The consumer energy index declined by 2.7% as the 6.1% drop in gasoline prices more than offset gains in fuel oil, natural gas, and electricity. Excluding food and energy, core consumer prices rose 0.6% in April, reflecting higher costs for shelter, new vehicles, airfare, and medical care. Year over year, headline CPI rose 8.3% and core CPI gained 6.2%.
- The Producer Price Index for final demand increased 0.5%, due mostly to higher prices for core goods (+1.0%), energy (+1.7%), and foods (+1.5%). The price index for final demand services was unchanged in April. The index for U.S. import prices was flat in April as the 2.4% decline in fuel import prices offset the 0.4% gain in nonfuel imports. U.S. export prices rose 0.6% for the month as prices increased for both agricultural (+1.1%) and nonagricultural (+0.5%) exports.

SALES

- Sales at U.S. retailers increased 0.9% in April following an upwardly-revised gain of 1.4% in March. Auto sector sales rose 2.2% in April while gas station sales fell by 2.7%. Excluding auto and gas, retail sales rose 1.0% for the month with pickups in furniture stores (+0.7%); electronics and appliances stores (+1.0%); health and personal care stores (+0.7%); clothing stores (+0.8%); department stores (+1.1%); online retailers (+2.1%); and bars and restaurants (+2.0%). Retail sales are 8.2% above year ago levels.

NOT BROKEN JUST BENT

It's too soon to tell whether inflation has peaked, plateaued, or just paused, but we do anticipate several more rate hikes from the Fed as they try and bring it under control. Concerns have been mounting that the Fed may go too far and put the economy on the path to recession. That's not likely to occur this year, as economic conditions broadly remain on solid footing. Manufacturing and production remain solid despite persistent supply chain issues. Job growth has remained steady and the demand for workers is robust. While inflation is having some impact on consumer behavior, the strength in spending seems to defy most indicators of falling consumer confidence and is not yet pointing to a slowdown.

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