

Economic Landscape

June 2026

MANUFACTURING

- The ISM Manufacturing Index rose 1.3 points to a multi-year high of 54.0 in May, signaling a fifth consecutive month of expansion. Demand strengthened reflecting acceleration in new orders, new export orders, and rising backlogs. Production continued to expand, and employment improved despite remaining in contraction. The Prices Index fell 2.5 points to 82.1, as inflation pressures and supply-side tensions remain a challenge.
- U.S. industrial production increased a modest 0.1% in May following a strong 0.9% gain in April, leaving overall output 1.7% above its level a year ago. Factory output was flat during the month as the 0.8% increase in durable goods production—led by gains in motor vehicles, primary metals, and construction-related industries—was offset by a broad 0.9% decline in nondurable goods output.

LABOR MARKETS

- Total nonfarm payroll employment increased by 172,000 in May, while revisions to March and April combined added 93,000 more jobs than previously reported. Job growth was led by the leisure and hospitality sector (+70,000), local government (+55,000), and healthcare (+35,000). Conversely, the financial activities sector continued its year-long decline by shedding 22,000 positions, driven by losses in insurance carriers and commercial banking. Average hourly earnings increased by 0.3% for the month and 3.4% on a year-over-year basis. The official unemployment rate was unchanged at 4.3% for May.

PRICES

- The Consumer Price Index rose 0.5% in May, pushing the 12-month rate to 4.2%—its fastest pace in three years. Energy costs rose 3.9% and accounted for over 60% of the monthly gain. Food prices increased 0.2% in May as grocery prices edged 0.1% higher while the cost of dining out advanced 0.3%. Excluding energy and food, core CPI rose 0.2% for the month and 2.9% year over year. Shelter costs increased (+0.3%) in May, along with communication, airfares, recreation, and medical care.
- The Producer Price Index (PPI) for final demand rose 1.1% month-on-month in May, driven by a 2.8% jump in final demand goods. Energy climbed 10.7%, led primarily by a 23.4% spike in gasoline prices. Meanwhile, final demand services moderated to a 0.3% monthly gain as a 1.1% drop in wholesale and retail trade margins helped offset a 4.8% spike in portfolio management fees. U.S. import prices (IPI) advanced 1.9% in May as imported fuel and lubricant prices surged 12.5%; nonfuel imports also rose 0.8% due to broad-based increases across capital, consumer, and automotive goods. U.S. export prices increased 1.3% on matching 1.2% increases in both the agricultural and nonagricultural sectors.

SALES

- U.S. retail sales rose a stronger-than-expected 0.9% in May, exceeding the prior month's revised 0.4% gain. Auto sector sales rebounded in May (+1.2%), gas station sales climbed (+3.2%), and sales at home improvement stores were flat. Core retail sales advanced 0.7%, reflecting broad-based strength across discretionary categories such as furniture (+1.0%), health and personal care (+0.6%), and online retailers (+1.5%). Some signs of consumer caution remained, including flat grocery store sales and a slight decline in spending at bars and restaurants (-0.1%).

THE PRICE IS NOT RIGHT

Despite lingering inflationary headwinds, stable labor conditions and steady consumer spending continue to reinforce a solid economic foundation. Against this backdrop, the Fed elected to maintain the target federal funds rate range of 3.50% to 3.75% in June, with Chairman Warsh striking a modestly hawkish tone that underscored unwavering commitment to restoring price stability.

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