

Economic Landscape

December 2023

MANUFACTURING

- The ISM Manufacturing index registered 46.7% for November, the same reading as observed for October. All five component indices - new orders, production, employment, deliveries, and inventories – reflected weakness as the headline PMI contracted for a 13th consecutive month. The ISM Prices Index rose 4.8 percentage points to 49.9% suggesting that prices declined in November at a much slower pace than in the prior two months.
- Industrial production rose 0.2% in November following an abysmal 0.9% drop in October. Factory output increased by 0.3% for the month due mostly to the 7.1% jump in motor vehicle and parts assemblies following the UAW strike resolution. Mining output gained 0.3% in November, while utilities production fell by 0.4%. The capacity utilization rate edged up to 78.8% for the month, but remains 0.9 percentage points below the 1972-2022 longer run average.

LABOR MARKETS

- U.S. payrolls grew by a better-than-expected 199,000 in November and the official unemployment rate decreased to 3.7%. Jobs were added in health care (+77,000), government (+49,000), leisure and hospitality (+40,000), social assistance (+16,000). Manufacturing payrolls also rose in November (+28,000) as the end to the auto workers strike brought jobs back. Employment revisions for September and October account for 35,000 fewer jobs than previously reported. Average hourly earnings rose 0.4% for the month and have increased by 4.0% compared to one year ago.
- In the October Job Openings and Labor Turnover survey, the number of openings declined by 617,000 to 8.7 million. Hires were essentially flat (-18,000) at 5.9 million while total separations rose modestly (+50,000) to 5.6 million. Within separations, layoffs rose (+32,000) to 1.6 million while quits fell slightly (-18,000) to 3.6 million and the quits rate remained steady at 2.3%.

PRICES

- The November Consumer Price Index (CPI) increased 0.1%, slightly above expectations for the month but in line with the 3.1% year-over-year expectation. The energy index declined by 2.3% for the month as a 6.0% drop in gasoline prices more than offset the rise in natural gas (+2.8%) and electricity (+1.4%). Food prices advanced 0.2% in November, as the cost of dining out (+0.4%) continues to outpace gains in grocery prices (+0.1). Excluding energy and food prices, the core CPI rose 0.4% for the month. Core goods prices trended lower with notable exceptions in the prices of used cars and trucks (+1.6%) and medical goods (+0.5%). The shelter index increased 0.4% for the month and was the largest factor in the core increase. Over the past 12 months, core CPI is up 4.0%.

SALES

- Retail sales rose 0.3% in November despite declines in sales at gas stations (-2.9%), electronics and appliance stores (-1.1%), home improvement stores (-0.4%), and department stores (-2.5%). Auto sector sales posted a 0.5% gain for the month, and sales ex-auto increased 0.2% with notable increases at furniture stores (+0.9%); clothing stores (+0.6%); health & personal care stores (+0.9%); sporting goods, hobby, musical instrument, & book stores (+1.3%); and online retailers (+1.0%). Grocery store sales rose 0.1% and sales at bars and restaurants increased 1.6%.

IT'S THE MOST WONDERFUL TIME

As anticipated, the FOMC held the federal funds target range steady at 5.25% to 5.50% marking a third consecutive meeting decision to pause. In the post-meeting press conference, Chair Powell stated that he's not ready to call "mission accomplished" but it was clear that Fed members are encouraged by the recent trend in cooling labor demand and wage growth as well as the lessening of inflationary pressures. Powell also acknowledged that the Committee discussed the pathway toward rate cuts signaling a potential and much-anticipated pivot in monetary policy stance.

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