Economic Landscape

October 2021

MANUFACTURING

- The September Manufacturing PMI registered 61.1%, up 1.2 percentage points from the 59.9% August reading. New orders, new export orders, and order backlogs all reflected continued strong demand. While employment did pick up in September, labor markets remained tight. Supply chains are stressed, delivery times slowed, and prices accelerated.
- Industrial production dropped 1.3% while August output was revised lower to a 0.1% decline. The effects of Hurricane Ida more than accounted for the 2.3% decrease in mining production and contributed to the 0.7% drop in factory output. Motor vehicle and parts production was notably weak (-7.2%) as semiconductor shortages continue to curb operations. Utilities output dropped 3.6% as mild September temperatures lessened demand for cooling. Capacity utilization decreased by 1.0 percentage point to 75.2%, now 4.4 percentage points under the 1972-2020 average rate of 79.6%.

LABOR MARKETS

- September payrolls rose by a disappointing 194,000 - well below the consensus. Jobs were added in leisure and hospitality (+74,000); professional and business services (+60,000); retail trade (+56,000); and transportation and warehousing (+47,000). Education employment decreased by a total of 180,000 (-144,000 in local government education; -17,000 in state government education; and -19,000 in private education) as back-to-school hiring this September was lower than in “normal” years, resulting in a decline after seasonal adjustment. Revisions to employment data for July and August reflect 169,000 more jobs than previously reported, however total employment remains down by 5.0 million from the February 2020 peak. The official unemployment rate fell by 0.4 percentage point to 4.8 percent in September.
- In the August JOLTS, job openings dropped to 10.4 million and hires dropped to 6.3 million while total separations were essentially flat at 6.0 million. Notably, the number of people voluntarily leaving their jobs climbed by 242k to 4.3 million in August and the quits rate increased to a series high of 2.9 %.

PRICES

- The headline Consumer Price Index rose 0.4% in September. The index for food rose 0.9%; prices for food at home increased 1.2%. The energy index increased 1.3%, with the gasoline prices rising 1.2%. Core CPI rose 0.2% in September with prices higher for shelter, new vehicles, household furnishings and operations, and motor vehicle insurance. The indexes for airline fares, apparel, and used cars and trucks all declined over the month. Year over year, headline CPI rose 5.4% and core CPI increased 4.0%.
- The Producer Price Index for final demand rose 0.5% in September, led by a 1.3% increase in prices for final goods. U.S. import prices advanced 0.4% for the month, attributable to the 3.7% rise in prices of fuel imports. Export prices increased 0.1% in September as the 1.7% decline in agricultural export prices was offset by the 0.3% rise in all exports excluding agriculture.

SALES

- Retail sales rose 0.7% in September, handily topping expectations for a 0.2% decline. Sales were up in 11 of the 13 major categories, with declines limited to electronics & appliance stores (-0.9%) and health & personal care stores (-1.4%). Sales at sporting goods stores rose 3.7% in September, reversing a string of monthly declines, while clothing sales rose 1.1% and sales at nonstore retailers grew 0.6%. Compared to September 2020, retail sales are up 13.9%.

CHAIN REACTION

Overall economic conditions remain positive, but supply chain disruptions are now broadly affecting the economy. Shortages of inputs and labor curbed manufacturing output and new home production, among other things. Even Fed Chair Powell acknowledged the troubling persistence of the bottlenecks, raising the odds that the Fed could begin raising rates by next summer. Demand has stayed strong, suggesting that economic growth should pick up once the supply chain issues begin to lessen.

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