Economic Landscape

March 2022

MANUFACTURING

- The ISM manufacturing index rose one point to 58.6% for February. New orders and new export orders accelerated and order backlogs surged as demand continued to strengthen. The index for supplier deliveries moved higher indicating longer wait times. Employment gains were less robust as qualified workers remain in short supply. Pricing pressures fell modestly, and inventories are being slowly rebuilt.
- Following a 1.5% advance in January, industrial production rose 0.5% in February led by the 1.2% increase in manufacturing sector output. Gains were broad-based across most durable and nondurable goods industries with the exception of motor vehicles and parts (-3.5%), which contracted again due to shortages of electronic components. Mining production edged 0.1% higher for the month, while the output of utilities fell by 2.7%. The overall capacity utilization rate rose 0.3 percentage points to 77.6%, a level 1.9 percentage points below the 1972-2021 average.

LABOR MARKETS

- The U.S. economy added 678,000 jobs in February reflecting widespread gains across industries including leisure and hospitality (+179,000); professional and business services (+95,000); health care (+64,000); construction (+60,000); transportation and warehousing (+48,000): retail trade (+37,000); manufacturing (+36,000); financial activities (+35,000); and social assistance (+31,000). Revisions to December 2021 and January 2022 data result in a combined 92,000 more jobs than previously reported. Average hourly earnings changed little over the month (+ 1 cent), and have increased by 5.1 % year over year. The official unemployment rate dropped to 3.8% while the labor force participation rate ticked up to 62.3%.
- There were 11.3 million job openings in January, down little from the prior month, and is 4.8 million more jobs above the number of unemployed workers in January. The pace of hiring was essentially unchanged at 6.5 million, while total separations were 6.1%. Within separations, the number of quits fell slightly to 4.3 million and the quits rate slipped to 2.8% - still well above the pre-pandemic level.

PRICES

- The Consumer Price Index increased 0.8% in February, pushing the year over year rate to 7.9%. The energy index rose 3.5% as prices climbed for gasoline (+6.6%), fuel oil (+7.7%), and natural gas (+1.5%). Food prices rose 1.0% with grocery prices up 1.4% for the month while the cost of eating out rose 0.4%. Core prices increased 0.5% for February and 6.4% over the past twelve months. The 0.5% rise in the shelter index accounted for over 40% of the monthly increase, and prices also advanced for transportation services, medical care goods and services, new vehicles, and apparel.
- The Producer Price Index for final demand rose 0.8%, led by a 2.4% jump in goods prices. The index for final demand services was flat in February. U.S. import prices increased 1.4% for the month, driven by a 6.9% rise in prices for fuel imports; nonfuel import prices rose 0.8%. Export prices increased 3.0% in February.

SALES

- Retail sales rose 0.3% in February following an upwardly revised gain of 4.9% for January. Auto sector sales advanced 0.8% for the month, and gas station sales jumped 5.3%; sales excluding auto and gas declined 0.4%. Monthly sales fell at furniture stores (-1.0%); electronics and appliance stores (-0.6%); grocery stores (-0.8%); health and personal care stores (-1.8%); and online retailers (-3.7%). Bar and restaurant sales increased by 2.5% in February, and sales also increased at home improvement stores (+0.9%); apparel stores (+1.1%); department stores (+1.6%); and sporting goods, hobby, musical instrument, and book stores (+1.7%). Retail sales are up 17.56% year over year.

RISE AGAIN

As expected, Fed officials voted to lift the target range for the federal funds rate by a quarter of a percent at their March meeting. While this marks the first rate hike since 2018, the notable upward shifts in Fed policy makers' rate projections – the "dot plot" – suggests a more aggressive pace of tightening will be appropriate this year into next year. In a more recent appearance, Chair Powell made clear that achieving price stability is the current priority and that the Fed is prepared to raise rates in larger increments and push Fed funds above the neutral rate in order to bring inflation under control.

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