

Economic Landscape

September 2024

MANUFACTURING

- Activity in the U.S. factory sector remains weak, with the ISM PMI rising 0.4 percentage point in August to 47.2%. New orders and production contracted at an accelerated pace. Input prices trended higher as the ISM Prices index rose 1.1 percentage points to 54.0% for August. Despite most of the subindustries reporting contraction, two of the largest manufacturing groups – Food, Beverage, & Tobacco Products and Computer & Electronic Products – expanded in August.
- Following some weather-related disruptions in July, industrial production rebounded with an increase of 0.8% in August. Utilities output was flat for the month, and mining production rose 0.8%. Factory output gained 0.9% led by a 9.8% bounce in the production of motor vehicle and parts. The capacity utilization rate registered 78.0% for August, 1.7 percentage points below the 1972-2023 longer run average.

LABOR MARKETS

- The U.S. economy added an estimated 142,000 jobs in August, with the largest gains going to leisure and hospitality (+46,000); construction (+34,000); health care (+31,000); social assistance (+13,000); financial activities (+11,000); and professional and business services (+8,000). The official unemployment rate edged down to 4.2% while the participation rate was unchanged at 62.7%. Average hourly earnings rose 0.4% in August (\$0.14), and wages are up by 3.8% over the past 12 months.
- Job openings fell (-237,000) to 7.67 million in July, dropping the ratio of openings per unemployed worker to 1.07. Hires increased (+273,000) to 5.52 million. Separations rose in July (+336,000), with over half of the separations attributed to layoffs and discharges; quits increased slightly (+63,000) and the quits rate was little changed at 2.1%.

PRICES

- The headline Consumer Price Index increased 0.2% in August, the same gain as July. Food prices rose 0.1% with grocery prices unchanged and prices for dining out up 0.3%. Energy prices declined 0.8% for the month reflecting lower prices for gasoline, electricity, natural gas, and fuel oil. Excluding food and energy, core prices increased 0.3% led by gains in shelter, airfare, motor vehicle insurance, education, and apparel. Year over year, CPI is up 2.5% and core CPI rose 3.2%.
- The Producer Price Index rose 0.2% in August, in line with expectations. The index for goods prices was flat, but service prices rose 0.4% after falling by 0.3% in July. U.S. import prices decreased 0.3% in August with broad declines from fuel imports; food, feeds, and beverages; and industrial supplies and materials. The index for U.S. exports fell 0.7% for the month as agricultural export prices continued to fall and nonagricultural exports were mixed to lower.

SALES

- Retail sales bested estimates and posted a 0.1% gain in August. Seven of the thirteen retail business categories saw declines including the auto sector (-0.1%); furniture/furnishings stores (-0.7%); electronics & appliance stores (-1.1%); grocery stores (-0.6%); gas stations (-1.2%); clothing stores (-0.7%); and department stores (-1.1%). Sales at online retailers rose 1.4% in August, with sales also up at home improvement stores (+0.1%); health & personal care stores (+0.7%); and sporting goods etc. stores (+0.3%).

STARTING LINE

Earlier this month, the Federal Open Market Committee voted to cut the target federal funds rate by half a percent. Based on their updated economic projections, Fed officials anticipate higher unemployment and lower inflation compared to the assessment from July which certainly played into the decision to go with the larger cut. The Fed is clearly just getting started with further rate cuts expected this year as well as through 2025. Chair Powell was adamant, however, that the size and timing of future cuts will depend on the data with particular focus on labor markets.

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