Economic Landscape

October 2024

MANUFACTURING

- The ISM manufacturing index held steady from August to September at 47.2. New orders and employment in the sector remained weak, but production levels were stable. The ISM Prices Index fell below 50 suggesting that input prices – primary commodities – were lower. The monthly survey noted that supply managers are deferring some activity until 2025 when interest rates have come down further and the outcome of the election is known.
- Industrial production fell 0.3% in September, as the effects of the Boeing strikes and hurricanes pulled the sector into contraction. Utilities output increased 0.7% for the month on stronger demand for electricity and natural gas. Mining production declined 0.6% reflecting weather-related interruptions in oil and gas extraction. Factory output dropped 0.4% with weakness in aerospace (-8.3%), as well as furniture, auto assemblies, electronics, and appliances. The capacity utilization rate trended three tenths of a percent lower to 77.5%, a rate 2.2 points below the longer run average.

LABOR MARKETS

- September nonfarm payrolls increased 254,000, notably above what was expected. The strongest job growth came from bars and restaurants (+69,000); health care (+45,000); government (+31,000); social assistance (+27,000); and construction (+25,000). The official unemployment rate edged back to 4.1% for September. Year over year wage growth crept higher through the quarter, up 4.0% YOY in September.
- Job openings rose modestly (+329,000) to 8.04 million in August, while the number of hires edged lower (-99,000) to 5.32 million. Total separations were also lower (-317,000) at 5.00 million, and within separations, quits fell (-159,000) to 3.08 million and layoffs slipped (-105,000) to 1.61 million. The quits rate declined to 1.9%.

PRICES

- The Consumer Price Index (CPI) rose 0.2% in September following equivalent gains in July and August. Three quarters of the September gain can be attributed to increases in food (+0.4%) and shelter (+0.2%). Grocery prices were up 0.4% and the index for food away from home rose 0.3%. The energy index decreased 1.9% as the 4.1% decline in gasoline prices more than offset the gains in electricity (+0.7%) and natural gas (+0.7%). Excluding food and energy, core CPI advanced 0.3% in September. In addition to shelter, prices were also higher for medical care services, motor vehicle insurance, apparel, used cars and trucks, and new vehicles. The year over year CPI fell to 2.4% and core CPI to 3.3%.
- There was no change in the Producer Price Index from August to September as the 0.2% drop in goods prices offset the 0.2% rise in services. Prices for U.S. imports decreased 0.4% thanks to a 7.0% decline in fuel import prices; prices for nonfuel imports ticked 0.1% higher in September. Export prices plunged 0.7% led by the 0.9% decline in nonagricultural exports including industrial supplies and materials and automotive vehicles. Agricultural export prices increased 0.6% for the month.

SALES

- Retail sales posted a better-than-expected gain of 0.4% in September. Auto sector sales were flat and gas station receipts fell 1.6%, leaving sales ex auto and gas up an impressive 0.7%. Contributing to the monthly gain were sales at home improvement stores (+0.2%); grocery stores (+1.0%); health and personal care stores (+1.1%); apparel stores (+1.5%); sporting goods, music, book, etc. stores (++0.3%); miscellaneous retailers (+4.0%); department stores (+0.4%); online retailers (+0.4%); and bars and restaurants (+1.0%).

THE PATH FORWARD

While the manufacturing sector continues to struggle, retail sales suggest the U.S. consumer remains strong. The Fed remains on track to make additional cuts to the target rate in the months ahead, consistent with the September economic projections. Lower borrowing rates will benefit interest rate sensitive areas of the economy such as the factory sector, and activity should pick up next year regardless of the outcome of the U.S. election.

Information and opinions expressed herein are of a general nature and should not be construed as investment or economic advice. Relevant information was obtained from sources deemed to be reliable, but First Commonwealth does not guarantee it to be accurate. Opinions and forecasts are subject to change without notice. First Commonwealth does not assume any liability for any loss that may result from a person acting on this information.

First Commonwealth Advisors