

# Economic Landscape

March 2024

## MANUFACTURING

- The ISM manufacturing index slipped from 49.1% in January to 47.8% for February as new orders, production, and employment all registered weaker for the month. This is the 16<sup>th</sup> consecutive month of contraction as measured by the manufacturing PMI. The ISM Price Index was 52.5%, slightly lower than in January but still signaling that manufacturers are paying more for materials.
- Industrial production edged 0.1% higher in February. Mining production rose 2.2% with some of the strength attributed to recovery from weather-related declines in January. Factory output also bounced back with a 0.8% increase reflecting broad gains across the production of durable and nondurable goods. The milder weather led to a 7.5% drop on utilities output. The capacity utilization rate was unchanged at 78.3% and remains 1.3 percentage points below the 1972-2023 average.

## LABOR MARKETS

- February payrolls rose by 275,000 jobs, more than expected, but negative revisions to December and January result in 167,000 fewer jobs than previously reported. Job growth remained broad based in February, with notable gains in health care (+67,000); leisure and hospitality (+58,000); social assistance (+24,000); transportation and warehousing (+20,000); construction (+23,000); and retail trade (+19,000). The official unemployment rate rose to 3.9% marking the highest jobless rate since January 2022, while the labor force participation rate was unchanged at 62.5% for a third straight month. Average hourly earnings rose by 0.1% (a nickel) in February, and year-over-year wage growth slowed to 4.3% from 4.5% in January.

## PRICES

- The headline Consumer Price Index rose 0.4% for February following a 0.3% increase in January. Shelter (+0.4%) and gasoline (+3.8%) were the main drivers in February, accounting for over 60 percent of the monthly gain. The food index was flat for the month, with the food at home index unchanged and the food away from home index up 0.1%. The energy index increased 2.3% for the month with prices up for gasoline, natural gas (+2.3%), fuel oil (+1.1%), and electricity (+0.3%). Excluding food and energy, core CPI came in slightly hotter than expected at 0.4% for the month. In addition to shelter, prices also rose for airfare, motor vehicle insurance, apparel, used cars and trucks, and recreation. Over the past 12 months, headline CPI increased 3.2% and core CPI is up 3.8%.
- The Producer Price Index for final demand increased 0.6% in February; prices for goods rose 1.2% and services moved up by 0.3%. U.S. import prices advanced 0.3% for the month reflecting a 1.8% rise in fuel import prices, while nonfuel prices gained 0.2%. Export prices moved 0.8% higher with matching 0.8% gains for both agricultural and nonagricultural exports.

## SALES

- Consumer spending has moderated since the end of last year as retail sales increased just 0.6% in February after falling 1.1% in the prior month. Auto sector sales posted a solid 1.6% gain, leaving sales ex-auto up 0.3% on the month. Among the gainers were electronics and appliance stores (+1.5%); home improvement stores (+2.2%); gas stations (+0.9%); and bars and restaurants (+0.4%). Sales declined at furniture stores (-1.1%); grocery stores (-0.1%); health & personal care retailers (-0.3%); clothing stores (-0.5%); department stores (-0.2%); and online retailers (-0.1%).

## LET IT BE

*The FOMC held the target rate steady in March and noted that economic growth is solid and labor markets remain strong. The updated dot plot reiterated the Fed's base case as 3 quarter-point rate cuts in 2024, with updated 2024 projections for stronger GDP growth, slightly lower unemployment, but no change to headline inflation implying that Fed officials are becoming less concerned that economic growth will impede further progress on inflation.*

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