

# Economic Landscape

July 2024

## MANUFACTURING

- The ISM manufacturing index fell to 48.5% in June as conditions continue to constrain the manufacturing economy. The ISM Prices index fell 4.9 percentage points to 52.1% in June, indicating that while input prices continue to rise, the upward pressure has abated. New orders contracted for a third straight month, but less rapidly than in May.
- Industrial production advanced 0.6% in June following a 0.9% increase in May. Factory output rose 0.4% with broad gains in nondurable manufacturing. Mining production increased 0.3% for June after falling by 0.7% the prior month. Utilities output had another outsized month, up 2.8%, as demand drove gains for both electric and natural gas services. The capacity utilization rate rose to 78.8%, registering nine tenths of a percentage points below the 1972-2023 average.

## LABOR MARKETS

- Payrolls grew by 204,000 jobs in June, predominantly in government (+70,000), health care (+49,000), social assistance (+34,000), and construction (+27,000). Wage growth slowly continues to grind lower with year-over-year wages up by 3.9% in June. The official unemployment rate ticked up to 4.1%.
- The June Job Openings and Labor Turnover Survey (JOLTS) indicates a slight drop to 8.18 million, down from an upwardly revised 8.23 million in May. Total June hires were weaker (down 314,000) to 5.34 million. Separations were also lower (down 302,000), with layoffs at 1.5 million and quits at 3.28 million. The quits rate was unchanged at 2.1%.

## PRICES

- After being unchanged in May, the Consumer Price Index (CPI) declined by 0.1% in June. The energy index dropped 2.0%, led lower on falling prices for gasoline (-3.8%) and fuel oil (-2.4%). Food prices rose with groceries modestly higher (+0.1%) in June while the cost to dine out increased 0.4%. Excluding energy and food, core CPI edged up (+0.1%), marking the smallest one-month gain since August 2021. Gains for shelter (+0.2%), medical care (+0.2%), vehicle insurance (+0.9%), and tobacco-related products (+0.5%) were nearly offset by price declines for used cars and trucks (-1.5%), airline fares (-5.0%), and new vehicles (-0.2%). Over the past twelve months, headline CPI is up 3.0% and core CPI rose 3.3%.
- The Producer Price Index rose 0.2% in June, driven by a 0.6% gain in service prices; prices for goods fell 0.5%. U.S. import prices were unchanged in June following the 0.2% decline in May. Prices for fuel imports decreased by 1.0% in June, while nonfuel import prices increased 0.2%. Export prices fell 0.5% for the month, led lower by a 3.5% drop in industrial supplies and materials.

## SALES

- Retail sales were little changed in June (0.0%), with sales down for the auto sector (-2.0%) as well as gas stations (-3.0%). Excluding auto and gas, sales were up 0.8% for the month with notable gains in home furnishings stores (+0.6%); electronics and appliance stores (+0.4%); home improvement stores (+1.4%); health and personal care stores (+0.9%); clothing stores (+0.6%); online retailers (+1.9%); and bars and restaurants (+0.3%).

## SEE YOU IN SEPTEMBER

*Inflationary pressures continued to recede over the past month bringing the core inflation rate closer to target. While further progress is needed, Fed officials are paying increasing attention to the cooling trend in labor markets. June data shows that the economy is still adding jobs, but the breadth of job growth has narrowed and the decline in job quits suggests a more cautious assessment of job availability. The Fed has a mandate to promote stable prices and maximum employment, and given the trends for both, expect the Fed to signal they're ready to start cutting rates.*

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