

Economic Landscape

March 2026

MANUFACTURING

- The ISM Manufacturing PMI registered 52.4% in February, slightly lower than January's 52.6% but still signaling a second consecutive month of expansion. New orders, production, and supplier deliveries remained at strong levels, while inventories and employment contracted at a slower pace. The ISM Prices Index surged by 11.5 percentage points to 70.5% as the effects of tariffs and higher steel and aluminum prices take a toll.
- Industrial production increased by 0.2% in February. Manufacturing output advanced (+0.2%) with gains driven by motor vehicle and parts production. Mining output rose by 0.8% following a 0.9% gain in January. Utilities output declined by 0.6%, primarily due to a drop in natural gas utilities. The capacity utilization rate was unchanged for the month at 76.3%.

LABOR MARKETS

- In the January JOLTS, job openings were slightly higher at 6.9 million while the number of hires was essentially flat at 5.3 million. The number of separations declined modestly to 5.1 million as both the number of quits (3.1 million) and the number of layoffs (1.6 million) edged lower. The quits rate held steady at 2.0%.
- The economy saw a net loss of 92,000 jobs in February, a sharp contrast to January's growth. However, this contraction was heavily influenced by temporary disruptions, specifically a major strike involving 31,000 healthcare professionals and severe winter storms that stalled hiring in construction (-11,000) and hospitality (-27,000). Federal government employment continued to fall (-10,000). Social assistance (+9,000) and financial services (+10,000) added workers. Average hourly earnings rose by \$0.15, or 0.4% in February, and year-over-year wages increased by 3.8%. The official unemployment rate ticked back up to 4.4%.

PRICES

- February's headline CPI rose 0.3%, following a 0.2% increase in January. Shelter (+0.2%) was the biggest contributor to the gain, along with higher prices for food (+0.4%) and energy (+0.6%). Core CPI (excluding food and energy) increased by 0.2% reflecting increases for medical care, apparel, air fares, and education. Prices for communication, used cars and trucks, vehicle insurance, and personal care declined in February. Headline CPI increased 2.4% over the past twelve months, while core CPI rose 2.5%.
- The Producer Price Index (PPI) jumped 0.7% in February as services prices rose 0.5% and goods prices advanced 1.1%. The U.S. Import Price Index rose by 1.3% as fuel import prices (+3.8%) surged in February, while prices for U.S. exports rose 1.5%.

HIGH ENERGY

The outbreak of conflict between the US, Israel, and Iran on February 28 has sent shockwaves through energy markets, primarily due to the closure of the Strait of Hormuz. Crude oil prices spiked in March to the highest level in years, as the physical disruption of global supply created a massive risk premium and forced a sharp rise in domestic gasoline prices. While the U.S. economy remains on solid footing for now, high energy costs and cooling labor conditions have increased concerns that the economy could stagnate while inflationary pressures rise. The Fed held the target rate range steady this month at 3.50% to 3.75%, and any future easing will likely be delayed until the full impact of the Middle East conflict on global supply chains is better understood.

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