

# MONDAY ECONOMIC REPORT



## Mixed Employment News in November Despite Solid Manufacturing Gains

By Chad Moutray – Dec. 6, 2021

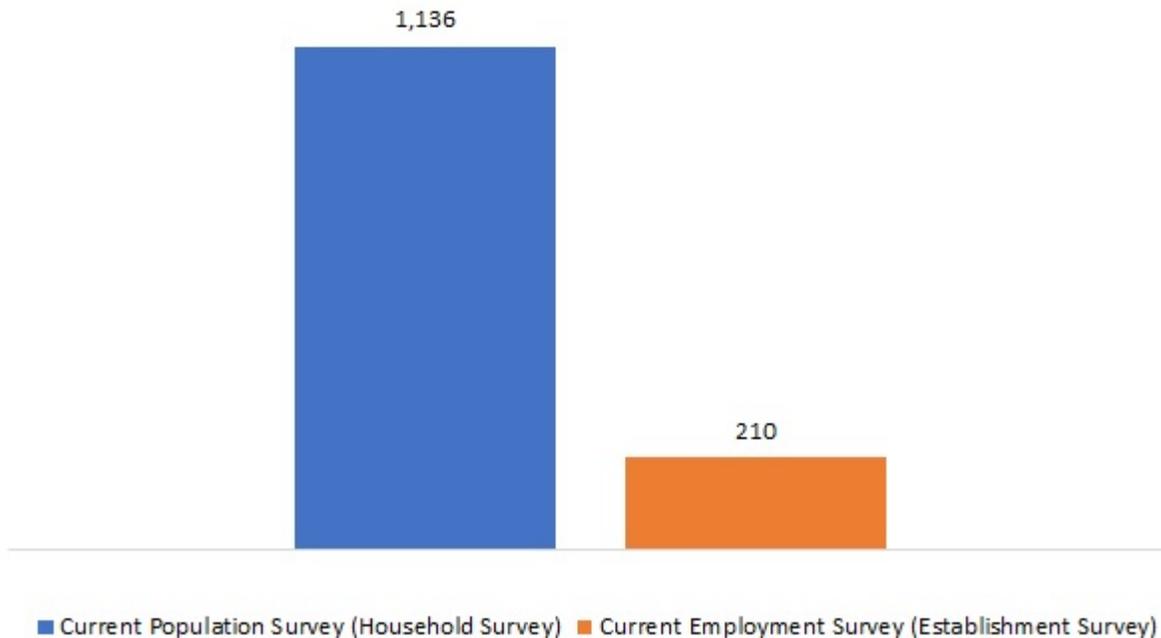
### The Weekly Toplines

- [Manufacturing employment](#) rose by 31,000 in November, and year to date, hiring in the sector is on track for the best annual job growth since 1994, rising by 315,000 in the first 11 months. Yet, there remained 253,000 fewer manufacturing employees relative to pre-pandemic levels, with 12,799,000 workers in the sector in February 2020.
- The average hourly earnings of production and nonsupervisory workers in manufacturing rose 0.4% from \$24.14 in October to \$24.24 in November, with a 4.9% increase over the past year.
- Nonfarm payroll employment increased by 210,000 in November, which was well below the consensus estimate of around 575,000. That figure comes from the “Establishment Survey” from the Bureau of Labor Statistics. The separate “Household Survey” shows employment growth of 1,136,000 for the month, and that stronger figure more accurately depicts the current strength in the labor market.
- Along those lines, the unemployment rate dropped from 4.6% in October to 4.2% in November, a post-pandemic low.
- Despite ongoing challenges, production strengthened in November at the fastest pace since April, buoying the [ISM® Manufacturing Purchasing Managers’ Index®](#). The headline index edged up from 60.8 in October to 61.1 in November. Hiring growth was also the strongest since April. The sample comments and the data once again highlighted supply chain disruptions, shortages of key inputs and soaring costs.
- In the November [manufacturing survey](#) from the Dallas Federal Reserve Bank, activity accelerated in most of the key measures. The index for raw material costs rose to another all-time high. Respondents remained positive in their outlook for the next six months, and they expected wages and benefits to jump at the fastest pace in the survey’s history.
- [New orders for manufactured goods](#) rose 1.0% to a record \$522.1 billion in October, increasing for the sixth straight month. Excluding transportation equipment, manufacturing orders increased 1.6% in October. Factory shipments increased 2.0% in October, or 10.1% year to date.
- Overall, the manufacturing sector continues to expand strongly—despite lingering supply chain, workforce and pricing pressures—with new orders soaring 11.5% year to date. In addition, new orders for core capital goods rose 0.7% to \$78.7 billion in October, a record high, with 9.9% growth year to date.

- [Private manufacturing construction](#) spending edged up 0.3% to \$78.90 billion in October, the strongest pace since November 2019. Encouragingly, private construction activity in the sector has trended higher since bottoming out at \$65.92 billion in December 2020, with 13.2% growth year-over-year from \$69.71 billion in October 2020.

## Monthly Employment Change in November 2021 for Two Separate BLS Surveys

(in Thousands of Workers, Seasonally Adjusted)



### Economic Indicators

#### Last Week's Indicators: (Summaries Appear Below)

**Monday, Nov. 29**  
*Dallas Fed Manufacturing Survey*

**Tuesday, Nov. 30**  
*Conference Board Consumer Confidence*

**Wednesday, Dec. 1**  
*ADP National Employment Report*  
*Construction Spending*  
*ISM® Manufacturing Purchasing Managers' Index®*

**Thursday, Dec. 2**  
*Weekly Initial Unemployment Claims*

#### This Week's Indicators:

**Monday, Dec. 6**  
*None*

**Tuesday, Dec. 7**  
*Consumer Credit*  
*International Trade Report*  
*Productivity and Costs (Revision)*

**Wednesday, Dec. 8**  
*Job Openings and Labor Turnover Survey*

**Thursday, Dec. 9**  
*Weekly Initial Unemployment Claims*

**Friday, Dec. 10**  
*Consumer Price Index*

Deeper Dive

- **ADP National Employment Report:** Manufacturing employment increased by 50,000 in November, building on the strong gain of 53,000 in October, according to ADP estimates. The sector has added 313,000 employees year to date, a solid pace of job growth. At the same time, nonfarm private payrolls increased by 534,000 in November, averaging 543,000 over the past three months. Through the first 11 months of 2021, total private nonfarm payrolls have risen by more than 5,400,000 employees, with the economy and labor market recovering strongly, especially in the hard-hit service sectors.

Leisure and hospitality (up 136,000) led employment growth in November. In addition to manufacturing, hiring also strengthened in professional and business services (up 110,000), trade, transportation and utilities (up 78,000), education and health services (up 55,000) and construction (up 52,000), among others. Large businesses (i.e., those with 500 or more employees) added 277,000 workers in November, or nearly 52% of net job creation for the month.

Despite notable progress, private nonfarm payrolls have fallen by roughly 4,508,000 since February 2020, with manufacturing employment down 273,000 over that time frame.

- **BLS National Employment Report:** Manufacturing employment rose by 31,000 in November, slowing from the gain of 48,000 in October but remaining a solid figure. In November, durable and nondurable goods employment increased by 15,000 and 16,000, respectively. More importantly, total employment in the sector has risen 315,000 year to date in 2021, putting it on track for the best annual job growth since 1994 (402,000), with 12,546,000 workers in November. With that said, there remained 253,000 fewer manufacturing employees relative to pre-pandemic levels, with 12,799,000 workers in the sector in February 2020.

There continued to be significant upward pressure on wages, with manufacturers citing difficulties in finding workers. The average hourly earnings of production and nonsupervisory workers in manufacturing rose 0.4% from \$24.14 in October to \$24.24 in November, with a 4.9% increase over the past year, up from \$23.10 in November 2020.

Meanwhile, nonfarm payroll employment increased by 210,000 in November, down from 546,000 in October and the slowest monthly gain this year. It was a disappointing figure, as the consensus was for a gain of around 575,000. Despite the miss, the U.S. economy has generated 6,108,000 net new jobs so far this year, a healthy pace, even as nonfarm payrolls remain down 3,912,000 today relative to pre-pandemic levels in February 2020.

The unemployment rate dropped from 4.6% in October to 4.2% in November, a post-pandemic low, with the number of unemployed workers plummeting from 7,419,000 to

6,877,000. The labor force participation rate ticked up from 61.6% to 61.8%, the strongest since March 2020. While the participation rate has bounced back from a low of 60.2% in April 2020, it remains well below pre-pandemic levels, with 63.3% in February 2020. The so-called “real unemployment rate”—a term that refers to those marginally attached to the workforce, including discouraged workers and the underemployed—dropped from 8.3% to 7.8%, the lowest since February 2020.

In November, the largest increases in manufacturing employment occurred in miscellaneous durable goods (up 10,000), fabricated metal products (up 7,900), food manufacturing (up 7,400), miscellaneous nondurable goods (up 3,500) and electrical equipment and appliances (up 3,300), among others. At the other end of the spectrum, machinery (down 6,000), transportation equipment (down 3,800, including a loss of 10,100 for motor vehicles and parts) and computer and electronic products (down 1,300) led the declines in manufacturing employment for the month.

Six major manufacturing sectors have exceeded their pre-pandemic levels of employment as of November: miscellaneous durable goods (up 19,000), miscellaneous nondurable goods (up 18,000), plastics and rubber products (up 10,000), computer and electronic products (up 9,000), chemicals (up 8,000) and wood products (up 3,000).

- **Conference Board Consumer Confidence:** Consumer confidence declined from 111.6 in October to 109.5 in November, the lowest since February, according to the Conference Board. Americans felt somewhat less upbeat about the current and future economy, with more consumers worried about inflation. In addition, respondents felt less willing to make purchases and travel, but the Conference Board continues to expect strong sales over the holiday season and into 2022. This survey was taken before the current concerns about the omicron variant.

The percentage of respondents suggesting that business conditions were “good” decreased from 18.3% to 17.0%, while the percentage feeling that conditions were “bad” rose from 25.7% to 29.0%. At the same time, the percentage of respondents suggesting jobs were “plentiful” increased from 54.8% to 58.0%, while those saying jobs were “hard to get” were little changed from 11.0% to 11.1%.

Regarding the outlook, the percentage of consumers anticipating better business conditions over the next six months improved from 22.7% to 24.1%, while those predicting a worsening of conditions decreased from 21.9% to 20.7%. Meanwhile, the percentage of respondents expecting more jobs in the next six months dropped from 24.4% to 22.1%, while those expecting fewer jobs edged up from 18.7% to 18.9%. Along those lines, 17.9% of consumers predicted higher incomes in the months ahead, down from 18.4%, with the percentage anticipating reduced incomes rising from 11.2% to 12.0%.

- **Construction Spending:** Private manufacturing construction spending edged up 0.3% from \$78.66 billion in September to \$78.90 billion in October, the strongest pace since November 2019. Encouragingly, private construction activity in the sector has trended higher since bottoming out at \$65.92 billion in December 2020, with 13.2% growth year-over-year from \$69.71 billion in October 2020.

Total private nonresidential construction spending inched up 0.2% in October, with activity rising a modest 3.1% over the past 12 months. Yet, total private construction spending fell 0.2% in October, pulled lower by the 0.5% decline in private residential construction. Private single-family and multifamily construction fell 0.8% and 0.1% for

the month, respectively, with affordability, workforce challenges and lack of inventories dampening demand in the housing market. With that said, total private construction has jumped 11.1 since October 2020, with residential activity soaring 16.7%. Meanwhile, public construction spending rose 1.8% in October, with 0.4% growth year-over-year.

- **[Dallas Fed Manufacturing Survey](#)**: While the composite index of general business conditions declined from 14.6 in October to 11.8 in November, manufacturing activity in most of the key measures accelerated in the latest data. Indeed, new orders, production, shipments, capacity utilization, employment, wages and benefits and hours worked all strengthened in November. Capital spending eased somewhat but continued to expand solidly. The sample comments continued to note ongoing challenges with supply chain disruptions, long delivery times, workforce shortages and soaring input prices. The index for raw material costs rose to another all-time high, but finished goods prices pulled back from the record pace in October despite remaining very elevated.

Looking ahead, manufacturers in the Texas district remained positive in their outlook for the next six months, with the forward-looking composite measure increasing from 15.0 to 28.6. Optimism about growth in new orders, production, hiring and capital spending strengthened in the latest data, but shipments softened a little. Respondents anticipated wages and benefits to jump at the fastest pace in the survey's history.

- **[Factory Orders and Shipments](#)**: New orders for manufactured goods rose 1.0% from \$517.1 billion in September to a record \$522.1 billion in October, increasing for the sixth straight month. Transportation equipment orders fell 2.6% in October, weighed down by sharp reductions in aircraft and parts sales, which can be highly volatile from month to month. At the same time, motor vehicles and parts orders rose 2.7% for the month, rising for the first time in three months despite being down 5.6% year to date on chip shortage and production challenges. Excluding transportation equipment, manufacturing orders increased 1.6% in October.

Overall, the manufacturing sector continues to expand strongly—despite lingering supply chain, workforce and pricing pressures—with new orders soaring 11.5% year to date. In addition, new orders for core capital goods (or nondefense capital goods excluding aircraft)—a proxy for capital spending in the U.S. economy—rose 0.7% from \$78.2 billion in September to \$78.7 billion in October, a record high. Core capital goods orders have risen 9.9% through the first 10 months of 2021.

Meanwhile, factory shipments increased 2.0% from \$513.2 billion in September to \$523.4 billion in October, an all-time high. Durable and nondurable goods shipments rose 1.6% and 2.4% for the month, respectively. So far this year, factory shipments have risen 10.1%, a very solid figure, or 12.5% with transportation equipment excluded. At the same time, core capital goods shipments increased 0.4% from \$75.8 billion in September to a record \$76.1 billion in October. Core capital goods shipments have increased 8.6% year to date.

- **[ISM® Manufacturing Purchasing Managers' Index®](#)**: Despite ongoing challenges, production strengthened in November at the fastest pace since April, buoying the ISM® Manufacturing Purchasing Managers' Index®. The headline index edged up from 60.8 in October to 61.1 in November, with new orders (up from 59.8 to 61.5), production (up from 59.3 to 61.5) and employment (up from 52.0 to 53.3) improving for the month. Hiring growth was also the strongest since April. The sample comments once again noted supply chain disruptions, shortages of key inputs and soaring costs.

Indices for the backlog of orders (down from 63.6 to 61.9), supplier delivery times (down from 75.6 to 72.2) and customers' inventories (down from 31.7 to 25.1) were consistent with still-significant supply chain problems in the sector.

Cost pressures remained very elevated despite slowing a bit, with the index for prices declining from 85.7 to 82.4. This measure peaked at 92.1 in June, when price growth was the fastest since July 1979, but it continued to be at extraordinary levels. This is consistent with other indicators, including the most recent [NAM Manufacturers' Outlook Survey](#), which cited rising prices as the top concern.

- **[Weekly Initial Unemployment Claims](#)**: Initial unemployment claims totaled 222,000 for the week ending Nov. 27, up from 194,000 for the week ending Nov. 20, which was the lowest since the week ending Oct. 4, 1969. Meanwhile, continuing claims declined from 2,063,000 for the week ending Nov. 13 to 1,956,000 for the week ending Nov. 20, a post-pandemic low. Continuing claims were consistent with 1.4% of the workforce, inching down from 1.5% in the previous report.

At the same time, 2,306,353 Americans received some form of unemployment insurance benefit (including state and federal programs) for the week ending Nov. 13, up from 2,284,789 for the week ending Nov. 6. Higher state unemployment insurance assistance was enough to offset decreased assistance from pandemic claims.

#### Take Action

- Please join us for a webinar, "Multigenerational Teams in Manufacturing," sponsored by The Manufacturing Institute and AARP, on Thursday, Dec. 9, at 3:00 p.m. EST. This event builds on the [study](#), which was released on Nov. 30. There will be a discussion of this research and what it means for multigenerational teams. During the event, you will hear from AARP and MI representatives as well as subject-matter experts on the research. We hope you will be able to join us for this important and timely discussion. To register, click [here](#).

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