

# Tuesday Economic Report



## More than 77% of SMMs Expect to Continue Struggling to Identify Talent

By [Chad Moutray, Ph.D., CBE](#) – February 16, 2021 – [SHARE](#)   

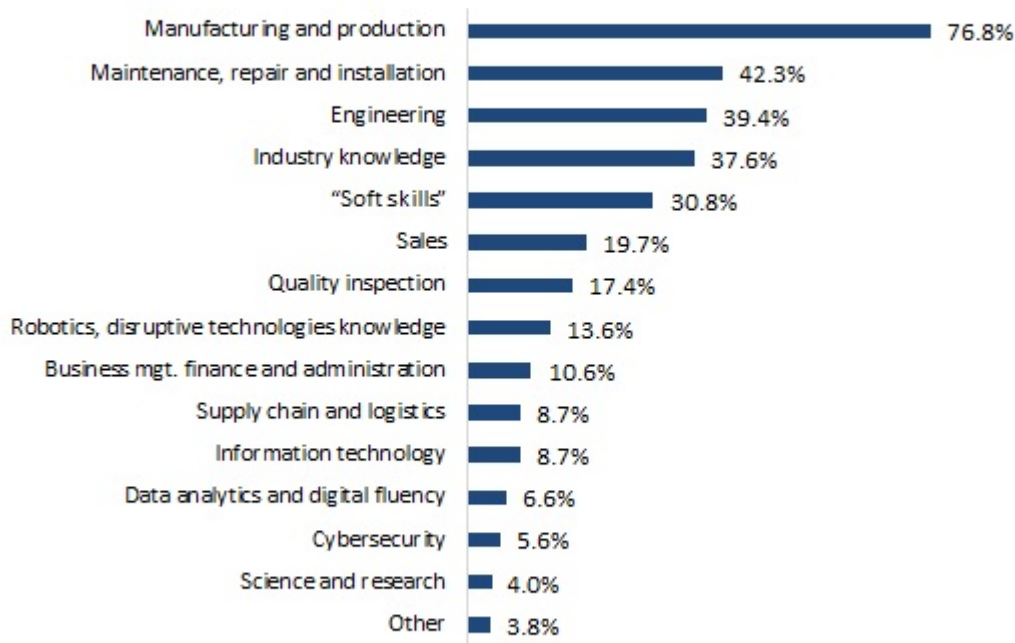
### Topline Highlights

- Despite a dramatically altered labor market, manufacturers consistently suggest that they have trouble attracting and retaining sufficient workers. More than 77% of small and medium-sized firms expect to continue struggling to identify talent in 2021 and beyond, according to a [new survey](#) from The Manufacturing Institute and BKD, a national CPA and advisory firm.
- The December survey reported 475,000 [manufacturing job openings](#), pulling back for the second straight month but continuing to be solid overall. In the larger economy, nonfarm business job openings increased to 6,646,000 in December, a five-month high. The December figure translates into 1.62 unemployed workers for every one nonfarm business job opening in the United States.
- The National Federation of Independent Business [reported](#) that the Small Business Optimism Index dropped from 95.9 in December to 95.0 in January, its lowest level since May 2020, with small business owners expressing anxiety about the economy and the political landscape.
- [Consumer sentiment](#) declined to a six-month low, according to preliminary data from the University of Michigan and Thomson Reuters. The weakened economic assessment was most profound for households with incomes of less than \$75,000.
- [Initial unemployment claims](#) totaled 793,000 for the week ending Feb. 6, a five-week low. Insurance claims remained highly elevated, illustrating continuing pain in labor markets.
- Meanwhile, 20,435,018 Americans received some form of unemployment insurance benefit (including state and federal programs) for the week ending Jan. 23. That figure was higher than the previous week, largely from increased pandemic assistance, reflecting new legislation passed at year's end.
- [Consumer prices](#) rose 0.3% in January. However, excluding food and energy, costs remained flat for the second straight month. On a year-over-year basis,

core consumer inflation rose 1.4% since January 2020, reflecting some stabilization in pricing pressures in recent months.

- Manufacturing production increased in December for the eighth consecutive month, albeit with output remaining 2.6% below pre-pandemic levels. This week, the Federal Reserve will release an update for January, likely stretching the growth in output in the sector to nine months.
- Other highlights this week will be January releases for housing starts and retail sales. Consumer spending has been disappointing in recent months, and that trend will likely continue in the latest update. However, new residential construction should remain a bright spot.

### Types of Skills That Are the Most Difficult to Fill for Manufacturers in 2021 and Beyond



*Source: The Manufacturing Institute-BKD Small and Medium-Sized Manufacturers Survey, February 2021*  
*Note: Respondents were able to check all that apply. Therefore, responses exceed 100 percent.*

#### Economic Indicators

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

**Monday, February 8**  
 None

**Tuesday, February 9**  
 Job Openings and Labor Turnover Survey  
 NFIB Small Business Survey

**This Week's Indicators:**

**Monday, February 15**  
 PRESIDENTS' DAY HOLIDAY

**Tuesday, February 16**  
 New York Fed Manufacturing Survey

**Wednesday, February 17**  
 Industrial Production  
 NAHB Housing Market Index

**Wednesday, February 10***Consumer Price Index**Producer Price Index**Retail Sales***Thursday, February 11***Weekly Initial Unemployment Claims***Thursday, February 18***Housing Starts and Permits**Philadelphia Fed Manufacturing Survey**Weekly Initial Unemployment Claims***Friday, February***University of Michigan Consumer**Sentiment***Friday, February 19***Existing Home Sales**IHS Markit Flash U.S. Manufacturing**PMI***Deeper Dive**

- **[Consumer Price Index](#)**: Consumer prices rose 0.3% in January, extending the 0.2% gain seen in December. Gasoline prices rose 7.4% in January and helped lift energy costs, which rose 3.5% for the month. Food prices edged up 0.1% in January, with food purchased away from home rising by 0.3%. Overall, energy prices remained 3.6% lower than one year ago, with gasoline prices down 8.6% year-over-year. At the same time, the cost of food increased 3.8% over the past 12 months. Excluding food and energy, consumer prices remained flat for the second straight month. Prices for apparel, shelter and medical care services increased in the latest data. In contrast, costs for new household furnishings and supplies, medical care commodities, new vehicles, transportation services and used cars and trucks fell in January.

Over the past 12 months, the consumer price index rose 1.4%, up from 1.3% in the previous release. Meanwhile, core inflation (which excludes food and energy) also increased by 1.4% year-over-year, down from 1.6% in the prior report. Overall, consumer prices have stabilized in recent months, with inflationary pressures largely in check for now, particularly at the core level.

- **[Job Openings and Labor Turnover Survey](#)**: The December survey reported 475,000 manufacturing job openings, pulling back for the second straight month from 531,000 in October (an all-time high) and 487,000 in November. Durable goods manufacturers increased the number of postings in the sector in December, up from 246,000 to 263,000. However, that increase was offset by reduced openings for nondurable goods firms, which declined from 241,000 to 211,000. Despite softening in the latest data, manufacturing job openings remained solid overall, and business leaders continue to cite challenges with attracting and retaining sufficient workers as a top concern.

In the larger economy, nonfarm business job openings increased 6,572,000 in November to 6,646,000 in December, a five-month high. Overall, 10,736,000 Americans were unemployed in December, up from 10,728,000 in November. The December figure translates into 1.62 unemployed workers for every one job opening, edging down from 1.63 in November. For comparison, the April 2020 figure translated into 4.63 unemployed workers for every one job opening, reflecting

significant progress since then. At the same time, the labor market was very tight pre-pandemic, with just 0.82 unemployed workers for every one job opening in February. (In January [jobs data](#), the unemployment level declined to 10,130,000.) In December, manufacturers hired 396,000 workers, the same pace as in November, with both being the best readings since June 2020. At the same time, total separations increased from 366,000 to 374,000, also the highest since June. Net hiring (or hiring minus separations) was 22,000 in December, down from 30,000 in November but a net positive for the fifth consecutive month.

- [NFIB Small Business Survey](#): The National Federation of Independent Business reported that the Small Business Optimism Index dropped from 95.9 in December to 95.0 in January, its lowest level since May 2020, with small business owners expressing anxiety about the economy and the political landscape. The net percentage of respondents feeling that business conditions will get better over the next six months fell from -16% to -23%, the weakest reading since November 2013. The percentage of respondents saying that the next three months would be a "good time to expand" continued to be 8%, remaining the worst reading since May. The net percentage expecting greater sales over the next three months declined from -4% to -6%, a reading not seen since August 2011.

Meanwhile, the labor market data suggest that employment has stabilized somewhat. Actual hiring was flat in January, but that was an improvement following nine straight months of declines. At the same time, the percentage of respondents planning to increase hiring over the next three months was unchanged at 17%, and the percentage suggesting they had job openings they were unable to fill edged up from 32% to 33%. Respondents once again cited difficulties in obtaining enough labor as the top "single most important problem," followed closely by concerns with taxes.

Regarding capital spending, 55% of small firms have made an investment over the past six months, up from 52% in the previous survey and the best reading since March 2020. The percentage of respondents planning to make a capital investment over the next three to six months was unchanged at 22%.

- [University of Michigan Consumer Sentiment](#): Consumer confidence declined from 79.0 in January to 76.2 in February, a six-month low, according to preliminary data from the University of Michigan and Thomson Reuters. Americans felt less upbeat in their assessment of both current economic conditions and the outlook for the coming months. The weakened economic assessment was most profound for households with incomes of less than \$75,000. Consumer spending will hinge on improvements in dealing with the pandemic—especially the availability and distribution of vaccines—and on expected growth in employment and incomes over the coming months. Final data will be released on Feb. 26.

- [Weekly Initial Unemployment Claims](#): Initial unemployment claims totaled 793,000 for the week ending Feb. 6, a five-week low and down from 812,000 claims for the week ending Jan. 30. Despite overall progress, particularly since last spring, the pace of first-time unemployment insurance claims remained highly elevated, illustrating continuing pain in labor markets.

Meanwhile, continuing claims declined from 4,690,000 for the week ending Jan. 23 to 4,545,000 for the week ending Jan. 30. Although this figure represents the lowest level since the week ending March 21, 2020, it is still too high and consistent with 3.2% of the workforce.

At the same time, 20,435,018 Americans received some form of unemployment insurance benefit (including state and federal programs) for the week ending Jan. 23, up from 17,838,479 for the week ending Jan. 16. The higher figure came largely from increased pandemic assistance, reflecting new legislation passed at year's end.

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