

MONDAY ECONOMIC REPORT



Consumer Prices Grow at Fastest Rate Since September 2008

By Chad Moutray – June 14, 2021

The Weekly Toplines

- [Consumer prices](#) rose 0.6% in May, and over the past 12 months, the consumer price index has risen 4.9% (seasonally adjusted), the fastest growth since September 2008. Adjusting for the deceleration seen last spring, consumer prices have jumped 3.8% since February 2020.
- Meanwhile, core inflation (which excludes food and energy) increased 3.8% year-over-year, the most since February 1993. Adjusting for the year-over-year “base effects,” core consumer prices have risen 3.3% over the past 15 months. As such, pricing pressures have accelerated sharply. For their part, manufacturers [continue to cite](#) rising raw material costs as a primary concern.
- [Consumer confidence](#) rose from 82.9 in May to 86.4 in June, according to preliminary data from the University of Michigan and Thomson Reuters. Respondents felt more upbeat in their assessments of the economy, but they also felt more anxious about inflationary pressures.
- [U.S. consumer credit outstanding](#) rose 5.3% in April, but revolving credit, which includes credit cards and other credit lines, fell 2.4%. Americans have been less willing to take on credit, with many paying down their existing balances. Indeed, revolving credit has fallen 5.5% year-over-year, or 11.8% since the end of 2019.
- Moving forward, retailers (and manufacturers) will be looking for signs of an increased willingness to take on revolving credit, which would likely correlate with increased consumer spending.
- [Manufacturing job openings](#) soared to 851,000 in April, a new record. In the larger economy, nonfarm business job openings jumped to 9,286,000 in April, also an all-time high. There are currently 1.06 unemployed workers for every one job opening in the U.S. economy.
- In addition, the number of quits in the manufacturing sector rose from 262,000 in March to 284,000 in April, the most since January 2001. Similarly, nonfarm business quits increased from 3,568,000 to 3,952,000, a new record.
- In the May [survey](#) from the National Federation of Independent Business, 48% of small business owners said that they had job openings they were unable to fill, a new record. Indeed, 57% of respondents said that there were not enough qualified applicants for job openings, up from 54% in April and an all-time high. The percentage of respondents planning to increase hiring over the next three months rose from 21% to a record 27%.

- After hitting an all-time high in March, the [U.S. trade deficit](#) pulled back somewhat in April, with goods exports rising to a new record. Growth in goods exports has outpaced the increase in goods imports year to date, reversing the trend seen since February 2020, where imports have recovered faster than exports.
- In a sign that export trade is recovering after a rough 2020, U.S.-manufactured goods exports have risen 6.77% through the first four months of 2021 relative to the same period last year.

Monthly Percentage Change in Consumer Price Index, 2020–2021
(Seasonally Adjusted, 1982–1984=100)



Economic Indicators

Last Week's Indicators:
(Summaries Appear Below)

Monday, June 7
Consumer Credit

Tuesday, June 8
International Trade Report
Job Openings and Labor Turnover Survey
NFIB Small Business Survey

Wednesday, June 9
None

Thursday, June 10
Consumer Price Index

This Week's Indicators:

Monday, June 14
None

Tuesday, June 15
Industrial Production
NAHB Housing Market Index
New York Fed Manufacturing Survey
Producer Price Index
Retail Sales

Wednesday, June 16
FOMC Monetary Policy Statement
Housing Starts and Permits

Weekly Initial Unemployment Claims

Friday, June 11

University of Michigan Consumer Sentimen

Thursday, June 17

Conference Board Leading Indicators

Philadelphia Fed Manufacturing Survey

Weekly Initial Unemployment Claims

Friday, June 18

None

Deeper Dive

- **Consumer Credit:** U.S. consumer credit outstanding rose 5.3% in April, the same pace as in March. More importantly, revolving credit, which includes credit cards and other credit lines, fell 2.4% in April, pulling back after rebounding in both February and March. Overall, Americans have been less willing to take on credit, with many paying down their existing balances. Indeed, revolving credit has fallen 5.5% year-over-year, or 11.8% since the end of 2019. Moving forward, retailers (and manufacturers) will be looking for signs of an increased willingness to take on revolving credit, which would likely correlate with increased consumer spending.

At the same time, 15,349,465 Americans received some form of unemployment insurance benefit (including state and federal programs) for the week ending May 22. That figure was down from 15,444,564 for the week ending May 15.

More importantly, inflationary worries might be impacting purchasing intentions for automobiles and homes negatively, with attitudes about making such purchases at their lowest point since 1982, largely among wealthier respondents. Interestingly, the University of Michigan notes that high savings rates and pent-up demand might make consumers less price-sensitive than what might have been seen in the past.

- **Weekly Initial Unemployment Claims:** Initial unemployment claims totaled 376,000 for the week ending June 5, declining for the sixth straight report, down from 385,000 for the week ending May 29. It remained the lowest since the week of March 14, 2020. Meanwhile, continuing claims rose from 3,757,000 for the week ending May 22 to 3,499,000 for the week ending May 29. That was consistent with 2.5% of the workforce, declining from 2.7% in the previous release.

The labor market remains strong but also challenging. The percentage of respondents suggesting that they had job openings they were unable to fill rose from 44% to 48%, a new record. Respondents once again cited difficulties in obtaining enough labor as the top “single most important problem.” Indeed, 57% of respondents said that there were not enough qualified applicants for job openings, up from 54% in April and an all-time high. The percentage of respondents planning to increase hiring over the next three months rose from 21% to a record 27%.

As with other surveys, pricing pressures have picked up. In May, the net percentage of respondents reporting higher prices today than three months ago soared from 36% to 40%, the highest in the history of the series, which dates to January 1986. In addition, the net percentage planning a price increase over the next three months rose from 36% to a record 43%.

Regarding capital spending, 59% of small firms have made an investment over the

past six months, up from 57% in the previous survey. In addition, the percentage of respondents planning to make a capital investment over the next three to six months remained at 27%.

- **University of Michigan Consumer Sentiment (Preliminary)**: Consumer confidence rose from 82.9 in May to 86.4 in June, according to preliminary data from the University of Michigan and Thomson Reuters. Americans felt more upbeat in their assessments of both current and future economic conditions, particularly for middle- and upper-income households. The statement adds, “Stronger growth in the national economy was anticipated, with an all-time record number of consumers anticipating a net decline in unemployment. Rising inflation remained a top concern of consumers, although the expected rate of inflation declined in early June.”

In the larger economy, nonfarm business job openings jumped from 8,288,000 in March to 9,286,000 in April, also a new record. In April, 9,812,000 Americans were unemployed, which translates to 1.06 unemployed workers for every one job opening in the U.S. economy, down from 1.17 in March. That figure peaked at 4.99 unemployed workers for every one job opening in April 2020, 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 2020.

In April, manufacturers hired 396,000 workers, down from 434,000 in March, largely on reduced hiring for durable goods firms. At the same time, total separations increased from 402,000 to 417,000, a 10-month high. Therefore, net hiring (or hiring minus separations) was -21,000 in April, ending two months of positive net growth.

The “churn” in the labor market is often a signal of strength in the economy, and for that reason, it is important to look at quits. Workers do not quit their job if they are concerned about the economy, for instance. The number of quits in the manufacturing sector rose from 262,000 in March to 284,000 in April, the most since January 2001. Similarly, nonfarm business quits increased from 3,568,000 to 3,952,000, a new record.

Finally, nonfarm business layoffs dropped from 1,525,000 in March to 1,444,000 in April, the lowest level on record for a series dating to December 2000. At the same time, layoffs in the manufacturing sector decreased from 119,000 to 104,000, close to the average of the past nine months of 103,778.

- **NFIB Small Business Survey**: The National Federation of Independent Business reported that the Small Business Optimism Index edged down from 99.8 in April to 99.6 in May. While owners felt mostly positive, they did feel anxious about the economy and political landscape. The percentage of respondents saying that the next three months would be a “good time to expand” inched down from a post-pandemic high of 14% to 13%. The net percentage reporting greater sales over the past three months increased from 3% to 7%, the most since March 2020.

In April, the increase in goods exports was led by growth in non-automotive capital goods (up \$2.07 billion, including \$1.43 billion for civilian aircraft), industrial supplies and materials (up \$831 million) and foods, feeds and beverages (up \$268 million). In contrast, exports decreased in April for automotive vehicles, parts and engines (down \$1.03 billion) and consumer goods (down \$252 million). At the same time, goods imports declined largely from sharp reductions for consumer goods (down \$2.61 billion), automotive vehicles, parts and engines (down \$1.06 billion) and industrial supplies and materials (down \$814 million).

According to the latest data, U.S.-manufactured goods exports totaled \$354.56 billion through the first four months in 2021, using non-seasonally adjusted data, increasing 6.77% from \$332.07 billion year to date in 2020.

- **[Job Openings and Labor Turnover Survey](#)**: Manufacturing job openings soared from 749,000 in March to 851,000 in April, a new record. Business leaders in the sector need to ramp up production, capacity and staffing in light of robust demand, the reopening of the U.S. and global economies and the very strong economic outlook for the coming months. As a result, job postings have risen to unprecedented levels, with all-time highs for postings in the durable (up from 393,000 to 471,000) and nondurable (up from 356,000 to 380,000) goods sectors. These data offer an encouraging sign that manufacturers feel confident enough about economic growth over the coming months for their businesses to post new jobs.

Over the past 12 months, the consumer price index has risen 4.9% (seasonally adjusted), the fastest growth since September 2008. Adjusting for the deceleration seen last spring, consumer prices have jumped 3.8% since February 2020, pointing to upward pressures overall. Meanwhile, core inflation (which excludes food and energy) increased 3.8% year-over-year, the most since February 1993. Adjusting for the year-over-year “base effects,” core consumer prices have risen 3.3% over the past 15 months.

As such, pricing pressures have accelerated sharply. For their part, manufacturers [continue to cite](#) rising raw material costs as a primary concern.

- **[International Trade Report](#)**: After hitting an all-time high in March at \$75.03 billion, the U.S. trade deficit pulled back somewhat, dropping to \$68.90 billion in April. Goods exports rose from \$143.66 billion to \$145.29 billion, a new record. At the same time, goods imports dropped from a record \$236.52 billion to \$231.97 billion. Growth in goods exports (up 9.26%) has outpaced the increase in goods imports (up 5.33%) year to date, but since the COVID-19 pandemic began, it has been the opposite. Since February 2020, goods exports and imports have risen 10.35% and 26.63%, respectively. Meanwhile, the service-sector trade surplus decreased from \$17.83 billion in March to \$17.78 billion in April, the lowest since August 2012.

Meanwhile, nonrevolving credit, which includes auto and student loans, rose 7.6% in April, with 4.9% growth year-over-year. Overall, U.S. consumer credit outstanding has increased 2.4% over the past 12 months, with a gain of 1.1% since December 2019.

- **[Consumer Price Index](#)**: Consumer prices rose 0.6% in May, extending the 0.6% and 0.8% gains in March and April, respectively. Food prices increased 0.4% in May for the second straight month, including sizable gains for both food at home and food away from home, but energy costs were flat for the month. Excluding food and energy, consumer prices increased 0.7% in May, building on the 0.9% gain in April. Used car and truck prices have soared 10.0% and 7.3% in the past two months, respectively, with prices for new vehicles and transportation services rising 1.6% and 1.5% in May. In addition, costs for apparel, household furnishings and supplies and shelter also increased for the month.

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