

MONDAY ECONOMIC REPORT



Manufacturing Was a Bright Spot in an Otherwise Weak Jobs Report

By Chad Moutray – October 12, 2021

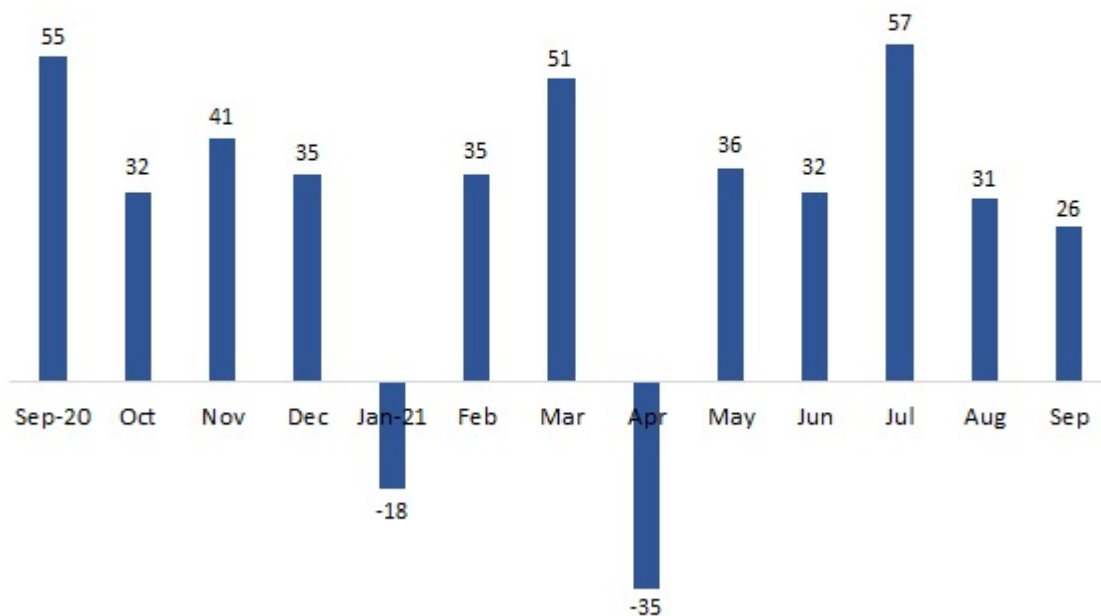
The Weekly Toplines

- [Manufacturing employment](#) rose by 26,000 in September, with solid gains over the past five months. Over the first nine months of 2021, total employment in the sector rose by a healthy 215,000, with 12,446,000 manufacturing workers in September. There remained 353,000 fewer manufacturing employees relative to pre-pandemic levels.
- There was significant upward pressure on wages, with manufacturers [continuing to cite difficulties](#) in finding workers. The average hourly earnings of production and nonsupervisory workers in manufacturing rose 0.6% to \$24.18 in September, with a 5.1% increase over the past year. That matches the year-over-year gain in August, which was the fastest since September 1982.
- Nonfarm payroll employment increased by a disappointing 194,000 in September, well below consensus expectations of around 500,000 and the weakest since December. The unemployment rate dropped from 5.2% in August to 4.8% in September, a post-pandemic low, and the labor force participation rate edged down from 61.7% to 61.6% for the month.
- [New orders for manufactured goods](#) rose 1.2%, up from \$509.5 billion in July to a record \$515.7 billion in August and increasing for the fourth straight month. Overall, the manufacturing sector continues to expand strongly, despite lingering supply chain and pricing pressures, with new orders soaring 10.1% year to date.
- Meanwhile, factory shipments edged up 0.1% from \$508.0 billion in July to \$508.3 billion in August, an all-time high despite slowing from the 1.5% gain in the prior month. Excluding transportation equipment, total shipments rose 0.6% in August, with durable goods excluding transportation equipment up 0.5%. So far this year, factory shipments have risen 4.8%, a solid figure, or 9.0% with transportation equipment excluded.
- The [U.S. trade deficit](#) rose from \$70.30 billion in July to a record \$73.25 billion in August, edging out the previous high recorded in June (\$73.23 billion). The increase in goods imports (up from \$236.41 billion to \$239.11 billion—the second highest on record) was enough to offset the gain in goods exports (up from \$148.59 billion to a record \$149.69 billion).
- At the same time, the service-sector trade surplus dropped from \$17.52 billion in July to \$16.16 billion in August, the lowest since December 2011.

- According to the latest non-seasonally adjusted data, U.S.-manufactured goods exports totaled \$739.29 billion through the first eight months in 2021, soaring 19.28% from \$619.81 billion year to date in 2020.
- [U.S. consumer credit outstanding](#) rose 4.0% in August, slowing somewhat from the 4.8% gain in July. Revolving credit growth decelerated, perhaps suggesting some softening in Americans' willingness to spend with their credit cards. With that said, U.S. consumer credit outstanding has risen 4.8% over the past 12 months, the strongest year-over-year reading since December 2019.

Monthly Change in Manufacturing Employment

(September 2020 – September 2021, in Thousands of Workers)



Economic Indicators

Last Week's Indicators:
(Summaries Appear Below)

Monday, October 4
Factory Orders and Shipments

Tuesday, October 5
International Trade Report

Wednesday, October 6
ADP National Employment Report

Thursday, October 7

This Week's Indicators:

Monday, October 11
COLUMBUS DAY HOLIDAY

Tuesday, October 12
Job Openings and Labor Turnover Survey
NFIB Small Business Survey

Wednesday, October 13
Consumer Price Index

Thursday, October 14

Consumer Credit
Weekly Initial Unemployment Claims

Friday, October 8
BLS National Employment Report

Producer Price Index
Weekly Initial Unemployment Claims

Friday, October 15
New York Fed Manufacturing Survey
Retail Sales
University of Michigan Consumer Sentiment

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Deeper Dive

- **[ADP National Employment Report](#)**: Manufacturing employment increased by 49,000 in September, the strongest monthly gain in 12 months, according to ADP estimates. The sector has added 216,000 employees year to date, a very solid pace of job growth. At the same time, nonfarm private payrolls increased by 568,000 in September, the best reading since June. Through the first nine months of 2021, total private nonfarm payrolls have risen by nearly 4,370,000 employees, with the economy and labor market recovering strongly, especially in the hard-hit service sectors.

Employment growth in September was led by a rebounding leisure and hospitality sector (up 226,000), with education and health services (up 66,000), professional and business services (up 61,000), trade, transportation and utilities (up 54,000) and construction (up 46,000) also among those higher for the month. Large businesses (i.e., those with 500 or more employees) added 390,000 workers in September, or 68.7% of net job creation for the month.

Despite notable progress over the past year, private nonfarm payrolls have fallen by roughly 5,540,000 since February 2020, with manufacturing employment down 370,000 over the past 19 months.

- **[BLS National Employment Report](#)**: Manufacturing employment rose by 26,000 in September, with solid gains over the past five months, including an increase of 31,000 in August. In the latest data for September, durable and nondurable goods employment rose by 16,000 and 10,000, respectively. Over the first nine months of 2021, total employment in the sector rose by a healthy 215,000, with 12,446,000 manufacturing workers in September. There remained 353,000 fewer manufacturing employees relative to pre-pandemic levels, with 12,799,000 workers in the sector in February 2020.

There was significant upward pressure on wages, with manufacturers [continuing to cite difficulties](#) in finding workers. The average hourly earnings of production and nonsupervisory workers in manufacturing rose 0.6% from \$24.04 in August to \$24.18 in September, with a 5.1% increase over the past year, up from \$23.01 in September 2020. That matches the year-over-year gain in August, which was the fastest wage growth since September 1982.

Nonfarm payroll employment increased by a disappointing 194,000 in September, well below consensus expectations of around 500,000 and the weakest since December. Educational services and state and local government were both hiring drags on growth in September (including some seasonal adjustment issues), with slower-than-desired growth in leisure and hospitality; professional and business services; and retail sales.

Nonetheless, the U.S. economy has generated 5,050,000 net new jobs so far this year, a solid pace, even as nonfarm payrolls remain down 4,970,000 today relative to pre-pandemic levels in February 2020.

The unemployment rate dropped from 5.2% in August to 4.8% in September, a post-pandemic low, with the number of unemployed workers decreasing from 8,384,000 to 7,674,000. The labor force participation rate edged down from 61.7% to 61.6% for the month, remaining down from 63.3% in February 2020 but up from the low of 60.2% in April 2020. In addition, 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 8.8% to 8.5%, the lowest since February 2020.

In September, the largest increases in manufacturing employment occurred in fabricated metal products (up 8,200), machinery (up 6,300), printing and related support activities (up 4,200), food manufacturing (up 3,500), wood products (up 2,300) and computer and electronic products (up 2,000). In contrast, there were four sectors with declining employment in September: transportation equipment (down 5,100, including a decline of 6,100 for motor vehicles and parts), electrical equipment and appliances (down 800), chemicals (down 300) and textile mills (down 200).

Five major manufacturing sectors have exceeded their pre-pandemic levels of employment as of September: miscellaneous nondurable goods (up 10,800), computer and electronic products (up 6,700), plastics and rubber products (up 5,600), miscellaneous durable goods (up 3,500) and chemicals (up 3,400). The largest decreases since February 2020 included transportation equipment (down 123,300), fabricated metal products (down 43,000), printing and related support activities (down 42,400), machinery (down 25,800) and primary metals (down 23,800).

- **[Consumer Credit](#)**: U.S. consumer credit outstanding rose 4.0% in August, slowing somewhat from the 4.8% gain in July. Revolving credit, which includes credit cards and other credit lines, increased a modest 3.6% in August, or roughly half of July’s

7.0% increase. This suggests that Americans softened their willingness to take on revolving credit in August, with rising COVID-19 cases likely a factor. Over the past 12 months, revolving credit has risen 2.1%, only the second positive year-over-year reading since the COVID-19 pandemic began. This should bode well for continued consumer spending growth moving forward, even with some easing in the latest monthly data.

Meanwhile, nonrevolving credit, which includes auto and student loans, increased 4.1% in August, the same pace as July. On a year-over-year basis, nonrevolving credit has increased 5.7%. Overall, U.S. consumer credit outstanding has risen 4.8% over the past 12 months, the strongest year-over-year reading since December 2019.

- **Factory Orders and Shipments:** New orders for manufactured goods rose 1.2%, up from \$509.5 billion in July to a record \$515.7 billion in August and increasing for the fourth straight month. The data were buoyed by a robust jump in nondefense aircraft and parts orders, which can be highly volatile from month to month. Excluding transportation equipment, manufacturing orders increased 0.5% in August. Overall, the manufacturing sector continues to expand strongly, despite lingering supply chain and pricing pressures, with new orders soaring 10.1% 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 0.6% from \$76.7 billion in July to \$77.2 billion in August, a record high. Core capital goods orders have risen 7.8% through the first eight months of 2021.

Meanwhile, factory shipments edged up 0.1% from \$508.0 billion in July to \$508.3 billion in August, an all-time high despite slowing from the 1.5% gain in the prior month. Nondurable goods shipments increased 0.6% in August, but shipments of durable goods fell 0.5%, pulled lower by weaknesses in light trucks and utility vehicles, nondefense aircraft and parts and ships and boats. Excluding transportation equipment, total shipments rose 0.6% in August, with durable goods excluding transportation equipment up 0.5%.

So far this year, factory shipments have risen 4.8%, a solid figure, or 9.0% with transportation equipment excluded. At the same time, core capital goods shipments increased 0.8% from \$74.4 billion in July to a record \$75.0 billion in August. Core capital goods shipments have increased 7.0% year to date.

- **International Trade Report:** The U.S. trade deficit rose from \$70.30 billion in July to a record \$73.25 billion in August, edging out the previous high recorded in June (\$73.23 billion). The increase in goods imports (up from \$236.41 billion to \$239.11 billion—the second highest on record) was enough to offset the gain in goods exports (up from \$148.59 billion to a record \$149.69 billion). Growth in goods exports (up 13.83%) has outpaced the increase in goods imports (up 10.56%) year to date, but since the end of 2019, goods exports and imports have increased 9.50% and 16.13%, respectively. Meanwhile, the service-sector trade surplus dropped from \$17.52 billion in July to \$16.16 billion in August, the lowest since December 2011.

As a result, the U.S. trade deficit has averaged \$69.76 billion year to date in 2021, up from averages of \$48.03 billion and \$56.39 billion for the entire calendar years of 2019 and 2020, respectively.

In August, the increase in goods exports was led by strength in industrial supplies and materials (up \$3.54 billion) and consumer goods (up \$295 million), which was enough

to offset declines in automotive vehicles, parts and engines (down \$980 million), non-automotive capital goods (down \$829 million) and foods, feeds and beverages (down \$640 million). At the same time, goods imports were buoyed by sizable increases in consumer goods (up \$2.98 billion) and industrial supplies and materials (up \$1.81 billion), with automotive vehicles, parts and engines (down \$1.55 billion) falling significantly for the month.

According to the latest non-seasonally adjusted data, U.S.-manufactured goods exports totaled \$739.29 billion through the first eight months in 2021, soaring 19.28% from \$619.81 billion year to date in 2020.

- **Weekly Initial Unemployment Claims**: Initial unemployment claims totaled 326,000 for the week ending Oct. 2, down from 364,000 for the week ending Sept. 25. Meanwhile, continuing claims declined from 2,811,000 for the week ending Sept. 18 to 2,714,000 for the week ending Sept. 25, a post-pandemic low (edging out the 2,715,000 for the week ending Sept. 4). Continuing claims were consistent with 2.0% of the workforce, down from 2.1% in the previous report.

At the same time, 4,172,943 Americans received some form of unemployment insurance benefit (including state and federal programs) for the week ending Sept. 18. That figure was down from 5,027,581 for the week ending Sept. 11. The decrease in the latest figures stemmed from sizable declines in pandemic and state unemployment assistance and extended benefits.

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