

MONDAY ECONOMIC REPORT



Year-Over-Year Consumer Price Growth Was Fastest in Three Decades

By Chad Moutray – Nov. 15, 2021

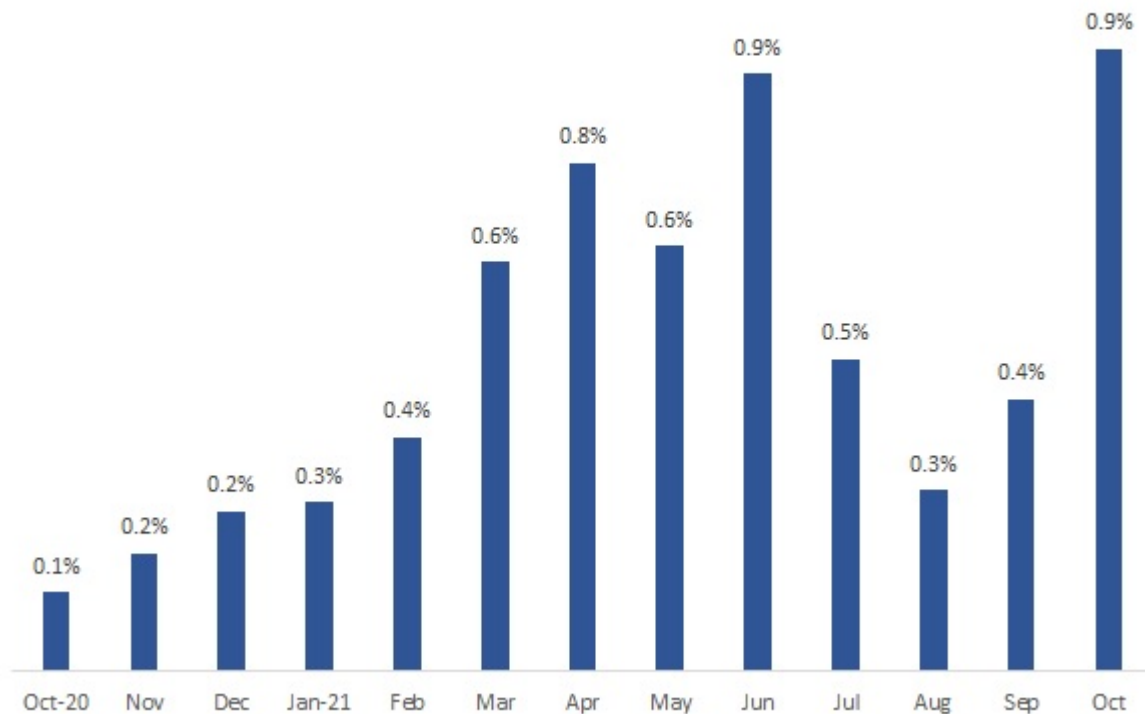
The Weekly Toplines

- [Consumer prices](#) soared 0.9% in October, the fastest pace since June, which was the fastest pace since June 2008. Food and energy costs rose 0.9% and 4.8%, respectively, in October. Excluding food and energy, core consumer prices increased 0.6% in October, also the biggest increase since June. The cost of used cars and trucks jumped 2.5% for the month, with prices for new vehicles up 1.4%. Costs were largely higher across the board.
- The consumer price index has risen 6.2% over the past 12 months, up from 5.4% in September and the fastest year-over-year pace since December 1990. At the same time, core inflation (which excludes food and energy) increased 4.6% year-over-year in October, up from 4.0% in the prior release and the biggest increase since September 1991.
- Similarly, [producer prices](#) for final demand goods and services rose 0.6% in October, continuing to increase steadily year to date. Over the past 12 months, producer prices for final demand goods and services jumped 8.6%, the same pace as in September and remaining the largest increase on record. Meanwhile, core producer prices increased 6.3% year-over-year in October, up from 6.0% in September and matching the record rate in August.
- The [Index of Consumer Sentiment](#) declined from 71.7 in October to 66.8 in November, the lowest level since November 2011, according to preliminary data from the University of Michigan and Thomson Reuters. The reduction was largely based on inflationary worries.
- The concern here is that the sharp reduction in consumer confidence since the spring will translate to some hesitance in terms of spending. Yet, the data on [U.S. consumer credit outstanding](#) would seem to suggest that Americans have stepped up their willingness to take on revolving credit, which should bode well for continued spending growth moving forward.
- [Manufacturing job openings](#) rose from 869,000 in August to 897,000 in September. These figures are not far from July's record high (906,000), and job postings remain well above pre-pandemic levels. Job openings rose to an all-time high for durable goods firms and were not far from a record pace for nondurable goods businesses.
- In the larger economy, nonfarm business job openings pulled back for the second straight month from the record 11,098,000 seen in July, down to 10,629,000 in August and 10,438,000 in September.

- There were 7,674,000 unemployed Americans in September, which translates to 0.74 unemployed workers for every one job opening in the U.S. economy. That number speaks to the tightness of the labor market, with more job openings than people looking for work.
- Quits in the manufacturing sector increased from 312,000 in August to 337,000 in September, a new all-time high. Likewise, nonfarm payroll quits soared from 4,270,000 to a record 4,434,000.

Monthly Percentage Change in Consumer Price Index

(Seasonally Adjusted, 1982–1984=100)



Economic Indicators

Last Week's Indicators:
(Summaries Appear Below)

Monday, Nov. 8
None

Tuesday, Nov. 9
NFIB Small Business Survey
Producer Price Index

Wednesday, Nov. 10
Consumer Price Index
Weekly Initial Unemployment Claims

Thursday, Nov. 11

This Week's Indicators:

Monday, Nov. 15
New York Fed Manufacturing Survey

Tuesday, Nov. 16
Industrial Production
NAHB Housing Market Index
Retail Sales

Wednesday, Nov. 17
Housing Starts and Permits

Thursday, Nov. 18
Conference Board Leading Indicators

Friday, Nov. 12Job Openings and Labor Turnover Survey
University of Michigan Consumer Sentiment
(Preliminary)**Friday, Nov. 19**

State Employment Report

Deeper Dive

- **Consumer Credit (from Friday, Nov. 5):** U.S. consumer credit outstanding rose 8.3% at the annual rate in September, more than doubling the pace in August (3.8%). Revolving credit, which includes credit cards and other credit lines, soared 11.8% in September, up from 3.4% in August. This suggests that Americans were more willing to take on revolving credit in September after some softening in August. Over the past 12 months, revolving credit has risen 2.7%, continuing to improve and the strongest year-over-year reading since the COVID-19 pandemic began. This should bode well for continued consumer spending growth moving forward.

Meanwhile, nonrevolving credit, which includes auto and student loans, increased 7.2% in September, up from 4.0% growth in both July and August. On a year-over-year basis, nonrevolving credit has increased 5.6%. Overall, U.S. consumer credit outstanding has risen 4.9% over the past 12 months, the best year-over-year reading since December 2019.

- **Consumer Price Index:** Consumer prices soared 0.9% in October, the fastest pace since June, which was the fastest pace since June 2008. Food and energy costs rose 0.9% and 4.8%, respectively, in October. Excluding food and energy, core consumer prices increased 0.6% in October, also the biggest increase since June. The cost of used cars and trucks jumped 2.5% for the month, with prices for new vehicles up 1.4%. Consumers also paid notably more for household furnishings and supplies, medical care, shelter and transportation services.

The consumer price index has risen 6.2% over the past 12 months, up from 5.4% in September and the fastest year-over-year pace since December 1990. At the same time, core inflation (which excludes food and energy) increased 4.6% year-over-year in October, up from 4.0% in the prior release and the biggest increase since September 1991.

Overall, price pressures for consumers remain very elevated. Automobiles exerted an outsized impact in this report, largely on supply chain issues (e.g., the chip shortage) and soaring demand. The data are expected to stabilize over the next year, especially once bottlenecks start to improve. A more favorable base comparison next year will also help. Yet, consumer prices are predicted to continue growing by more than we have become accustomed to, with the consumer price index rising around 2.5% year-over-year by the end of 2022.

- **Job Openings and Labor Turnover Survey:** Manufacturing job openings rose from 869,000 in August to 897,000 in September. These figures are not far from July's record high (906,000), and September marked the sixth straight month with postings that exceeded 800,000. Overall, job postings remain well above pre-pandemic levels,

as companies ramp up activity and need more workers to meet the additional capacity. This survey also speaks to confidence in the business outlook, despite ongoing challenges with supply chain disruptions and soaring costs.

In September, job openings rose to an all-time high for durable goods firms (up from 488,000 to 523,000), but postings fell slightly for nondurable goods businesses (down from 381,000 to 374,000). Nondurable goods remained not far from the record pace in July (388,000).

In the larger economy, nonfarm business job openings pulled back for the second straight month from the record 11,098,000 seen in July, down to 10,629,000 in August and 10,438,000 in September. There were 7,674,000 unemployed Americans in September, which translates to 0.74 unemployed workers for every one job opening in the U.S. economy. That number speaks to the tightness of the labor market, with more job openings than people looking for work. Note that the number of unemployed Americans [fell further](#) in October, down to 7,419,000.

In September, manufacturers hired 485,000 workers, up from 476,000 in August, with improved hiring for both durable and nondurable goods. Total separations rose from 444,000 to 461,000. Therefore, net hiring (or hiring minus separations) was 24,000 in September, averaging a solid 40,000 over the past five months.

Finally, it is important to look at the “churn” in the labor market, as this provides an indication of economic health. For instance, workers do not switch jobs if they are concerned about the economic outlook. Quits in the manufacturing sector increased from 312,000 in August to 337,000 in September, a new all-time high. Likewise, nonfarm payroll quits soared from 4,270,000 to a record 4,434,000.

- **[NFIB Small Business Survey](#)**: The National Federation of Independent Business reported that the Small Business Optimism Index declined from 99.1 in September to 98.2 in October, the lowest level since March. Small business owners remain challenged by supply chain disruptions, workforce shortages, inflation and COVID-19. The net percentage expecting better business conditions six months from now has plummeted from -33% in September to -37% in October, the lowest level since November 2012.

As with other surveys, pricing pressures remain very elevated. In October, the net percentage of respondents reporting higher prices today than three months ago jumped from 46% to a record 53%. The net percentage planning a price increase over the next three months rose from 46% to 51%, a new all-time high.

The labor market remained tight, near record highs. The percentage of respondents suggesting they had job openings they were unable to fill inched down from a record 51% to 49%. The percentage of respondents citing few or no qualified applicants for job openings pulled back from a record 62% to 58%. The percentage of respondents planning to increase hiring over the next three months remained at 26%. Respondents once again cited difficulties in obtaining qualified labor as the top “single most important problem,” followed closely by concerns about taxes and inflation.

Encouragingly, 56% of small firms have made a capital investment over the past six months, up from 53% in the previous survey and the best reading since May. In addition, the percentage of respondents planning to make a capital investment over the next three to six months rose from 28% to 31%, the highest number since August 2018.

- **Producer Price Index:** Producer prices for final demand goods and services rose 0.6% in October, continuing to increase steadily year to date. At the same time, producer prices for final demand goods grew 1.2% in October, rising by at least 1% for the third straight month. Energy costs jumped 4.8% in October, but food prices edged down 0.1%. Excluding food and energy, producer prices for final demand goods increased 0.5% in October, down from 0.6% in September and the slowest pace since February. Meanwhile, producer prices for final demand services rose 0.2% in October, but with transportation and warehousing costs up 1.7%.

Over the past 12 months, producer prices for final demand goods and services jumped 8.6%, the same pace as in September and remaining the largest increase on record. Meanwhile, core producer prices increased 6.3% year-over-year in October, up from 6.0% in September and matching the record rate in August.

Manufacturers [continue to cite](#) supply chain disruptions as their top challenge, and the data reflect additional sharp rises in raw material prices. For its part, the Federal Open Market Committee announced that it will start tapering its asset purchases at the end of this month, likely ending all purchases by mid-2022. In addition, it will likely begin increasing short-term interest rates in the middle of next year. Even with those moves, monetary policy will continue to be highly stimulative for the foreseeable future.

- **University of Michigan Consumer Sentiment (Preliminary):** The Index of Consumer Sentiment declined from 71.7 in October to 66.8 in November, the lowest level since November 2011, according to preliminary data from the University of Michigan and Thomson Reuters. The reduction was largely based on worries about higher prices. The release states the following:

One-in-four consumers cited inflationary reductions in their living standards in November, with lower income and older consumers voicing the greatest impact. Nominal income gains were widely reported but when asked about inflation-adjusted gains, half of all families anticipated reduced real incomes next year.

The headline index has pulled lower since April's reading of 88.3. In the latest survey, Americans were less upbeat in their assessments of both current and future economic conditions. The concern here is that the sharp reduction in consumer confidence since the spring will translate to some hesitance in terms of spending. Final data will be released on Nov. 24.

- **Weekly Initial Unemployment Claims:** Initial unemployment claims totaled 267,000 for the week ending Nov. 6, down from 271,000 for the week ending Oct. 30 and the lowest level since the week of March 14, 2020. Meanwhile, continuing claims rose from 2,101,000 for the week ending Oct. 23 to 2,160,000 for the week ending Oct. 30, ending six weeks of declines. Continuing claims were consistent with 1.6% of the workforce, the same pace as in the previous report.

At the same time, 2,565,853 Americans received some form of unemployment insurance benefit (including state and federal programs) for the week ending Oct. 23, the lowest level since the pandemic began. That figure was down from 2,672,948 for the week ending Oct. 16.

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