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MONDAY ECONOMIC REPORT



Essential Takes on Leading Economic Indicators

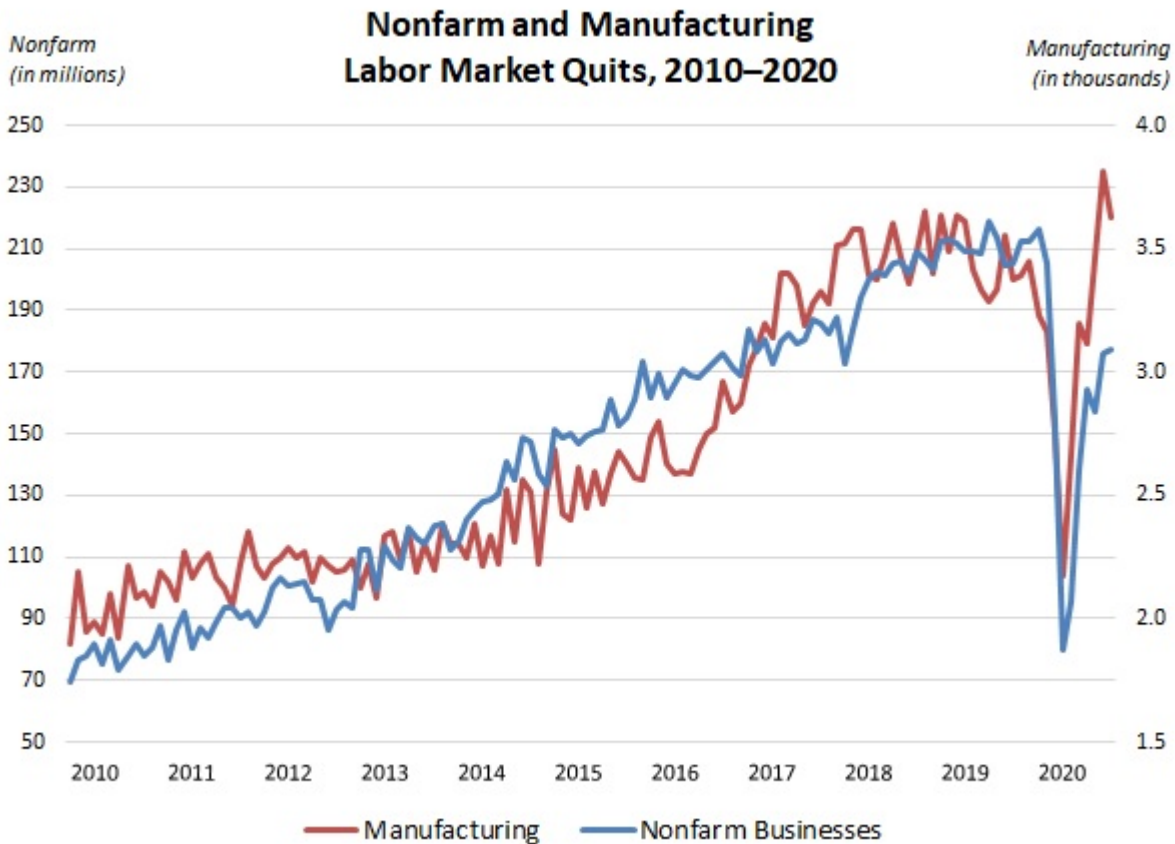
By [Chad Moutray, Ph.D., CBE](#) – December 14, 2020 – [SHARE](#)   

Manufacturing Job Openings Climb to Record High in October

The Weekly Toplines

- There were 525,000 [manufacturing job openings](#) in October, up from 492,000 in September and a new record high. Manufacturers are clearly ramping back up, rebounding from springtime weaknesses. In the larger economy, nonfarm business job openings increased from 6,494,000 in September to 6,652,000 in October, a three-month high.
- One sign of improved health is the “churn” seen in the labor market, and the number of quits has rebounded in recent months, a reassuring sign that the labor market is strengthening.
- With that said, [initial unemployment claims](#) rose to 853,000 for the week ending Dec. 5, the highest level since the week ending Sept. 19. This suggests that the continued spread of COVID-19, along with new restrictions, has resulted in an increased pace of Americans filing for first-time unemployment insurance benefits. Indeed, [data from other sources](#) also suggest that the pace of job openings slowed in late November.
- The [Small Business Optimism Index](#) declined from 104.0 in October to 101.4 in November, with owners continuing to worry about short-term political and COVID-19 uncertainties. Indeed, the net percentage expecting business conditions to improve dropped to the lowest level since March. Despite some slippage in confidence, the headline index continued to reflect overall strength, with workforce challenges topping the “single most important problem” list once again.
- [Consumer confidence](#) rose in December, according to preliminary data from the University of Michigan and Thomson Reuters, but confidence remains well below the levels seen before the pandemic. There were wide disparities along partisan lines.

- [U.S. consumer credit outstanding](#) rose 2.1% in October, but revolving credit—which includes credit cards and other credit lines—fell 6.7%, declining for the eighth time year to date. Over the past 12 months, revolving credit has decreased 10.0%, suggesting that Americans are reducing their willingness to take on more credit and likely paying down some of their existing balances.
- [Consumer](#) and [producer](#) prices rose in November, but core inflation remains largely in check for now. Indeed, the Federal Reserve has pursued extraordinary monetary policy measures to help prop up the economy, with little worry about inflation, and it remains committed to its stimulative stance for the foreseeable future. The Federal Open Market Committee meets this week on Dec. 15–16.
- There will be important data points released this week on the health of the overall U.S. economy, including November updates on housing starts, industrial production and retail sales and December manufacturing surveys from IHS Markit and the New York and Philadelphia Federal Reserve Banks.



Economic Indicators

Last Week's Indicators:
(Summaries Appear Below)

Monday, December 7
Consumer Credit

This Week's Indicators:

Monday, December 14
None

Tuesday, December 8

*NFIB Small Business Survey
Productivity and Costs (Revision)*

Wednesday, December 9

Job Openings and Labor Turnover Survey

Thursday, December 10

*Consumer Price Index
Weekly Initial Unemployment Claims*

Friday, December 11

*Producer Price Index
University of Michigan Consumer Sentiment*

Tuesday, December 15

*Industrial Production
New York Fed Manufacturing Survey*

Wednesday, December 16

*FOMC Monetary Policy Statement
IHS Markit Flash U.S. Manufacturing PMI*

*NAHB Housing Market Index
Retail Sales*

Thursday, December 17

*Housing Starts and Permits
Kansas City Fed Manufacturing Survey
Philadelphia Fed Manufacturing Survey
Weekly Initial Unemployment Claims*

Friday, December 18

*Conference Board Leading Indicators
State Employment Report*

Deeper Dive

- **Consumer Credit:** U.S. consumer credit outstanding rose 2.1% in October, slowing from the 4.4% gain in September. More importantly, revolving credit, which includes credit cards and other credit lines, fell 6.7% in October, declining for the eighth time year to date. Over the past 12 months, revolving credit has decreased 10.0%, suggesting that Americans are reducing their willingness to take on more credit and likely paying down some of their existing balances. In contrast, nonrevolving credit, which includes auto and student loans, rose 4.8% in October, with 4.0% growth year-over-year. Overall, U.S. consumer credit outstanding has risen just 0.3% since October 2019.
- **Consumer Price Index:** Consumer prices increased 0.2% in November after being flat in October. Higher fuel oil prices, which rose 3.6% in November, helped lift energy costs, up 0.4%, despite gasoline prices dropping 0.4% for the month. Food prices edged down 0.1% in November. Overall, energy prices remain 9.4% lower than one year ago, with gasoline prices down 19.3% year-over-year. At the same time, the cost of food has risen 3.7% over the past 12 months.

Excluding food and energy, consumer prices rose 0.2% in November. Prices for apparel, household furnishings, shelter and transportation services all increased in the latest data, with costs for medical care commodities and services, new vehicles and used cars and trucks falling in November.

Over the past 12 months, the consumer price index has risen 1.2%, the same as seen in the previous release. Meanwhile, core inflation (which excludes

food and energy) has risen 1.6% since November 2019, unchanged from October. As such, consumer prices ticked higher in the summer and early autumn months but appear to have stabilized since then. Inflationary pressures for consumers remain largely in check for now.

- **[Job Openings and Labor Turnover Survey](#)**: There were 525,000 manufacturing job openings in October, up from 492,000 in September and a new record high. Postings for durable (up from 267,000 to 290,000—the best since August 2019) and nondurable goods (up from 225,000 to 235,000—an all-time high) manufacturers both strengthened in October. Manufacturers are clearly ramping back up, rebounding from springtime weaknesses. In the larger economy, nonfarm business job openings increased from 6,494,000 in September to 6,652,000 in October, a three-month high. (More recent data from other sources appear to suggest some slowing in job postings in November due to the continued spread of COVID-19 and additional restrictions being put in place, especially for services.)

Overall, 11,061,000 Americans were unemployed in October, down from 12,580,000 in September. That translates into 1.66 unemployed workers for every one job opening in October, down from 1.94 in September. For comparison, that figure was 4.62 in April, but just 0.83 in February. (In November [jobs data](#), the unemployment level dropped further to 10,735,000.)

In October, manufacturers hired 371,000 workers, edging down from 374,000 in September. Hiring was stronger for durable goods industries but weakened among nondurable goods firms. At the same time, total separations inched up from 354,000 to 355,000. Net hiring (or hiring minus separations) was 16,000 in October, easing from 20,000 in September and positive in five of the past six months.

Nonfarm business layoffs were an all-time low at 1,437,000 in September, and despite rising to 1,680,000 in October, this figure remains below the average of 1,809,000 in 2019. Meanwhile, layoffs in the manufacturing sector increased from 97,000 to 112,000 but remained well below the 635,000 layoffs in April.

One sign of improved health is the “churn” seen in the labor market, and the number of quits has rebounded in recent months. This is reassuring and a sign that the labor market is strengthening. Nonfarm payroll quits rose from 3,074,000 in September to 3,092,000 in October, the most since February. Manufacturing quits decreased from 235,000 in September, the most since March 2001, to 220,000 in October but remained elevated.

- **[NFIB Small Business Survey](#)**: The National Federation of Independent Business reported that the Small Business Optimism Index declined from 104.0 in October to 101.4 in November, with owners continuing to worry about short-term political and COVID-19 uncertainties. Indeed, the net percentage expecting business conditions to improve dropped from 27% to 8%, the lowest since March. Despite some slippage in confidence, the headline index remains above 100.0, a threshold consistent with growth in the small business

economy. Many of the key components of the survey eased slightly in November, including the percentage of respondents saying that the next three months are a “good time to expand” (down from 13% to 12%) and the net percentage expecting greater sales over the next three months (down from 11% to 10%).

Meanwhile, the labor market data remained promising. While actual hiring was negative on net for the eighth straight month, employment has stabilized since the spring. Yet, the percentage of respondents planning to increase hiring over the next three months rose from 18% to 21%, and the percentage suggesting they had job openings they were unable to fill inched up from 33% to 34%. Respondents once again cited difficulties in obtaining enough labor as the top “single most important problem,” but that was closely followed by taxes, likely a reaction to the election outcome.

Regarding capital spending, 53% of small firms have made an investment over the past six months, the same pace as in the past two months. In addition, the percentage of respondents planning to make a capital investment over the next three to six months inched down from 27% to 26%. That was up from the 24.4% average for 2020.

- **Producer Price Index:** Producer prices for final demand goods and services edged up 0.1% in November, rising for the seventh straight month but slowing from last month. In addition, producer prices for final demand goods increased 0.4% in November, easing from a 0.5% gain in October. Food and energy costs rose 0.5% and 1.2%, respectively, in the latest data. Despite tremendous volatility this year due to the COVID-19 pandemic, the cost of food has risen a very modest 1.2% over the past 12 months. In contrast, energy costs have fallen 11.2% year-over-year. Core inflation for raw material goods, which excludes food and energy, increased 0.2% in November after being flat in October. Producer prices for final demand services were flat in November.

Over the past 12 months, producer prices for final demand goods and services have increased 0.7% (seasonally adjusted), up from 0.5% in October. At the same time, core producer prices have risen 0.9% since November 2019, the same pace as October.

The bottom line is that inflation remains largely in check for raw material costs. While costs for producer prices for final demand goods have risen in recent months, core inflation has remained below 2% for 17 straight months. For its part, the Federal Reserve has pursued extraordinary monetary policy measures to help prop up the economy, with little worry about inflation, and it remains committed to its stimulative stance for the foreseeable future.

- **Productivity and Costs (Revision):** Manufacturing labor productivity jumped 19.9% at the annual rate in the third quarter, the largest quarterly increase on record since the data series began in 1987. Of course, it followed the biggest quarterly decline in the history of the series, with labor productivity plummeting 14.0% in the second quarter on the economic impacts of COVID-19. Output in

the sector fell 5.5% and 46.5% in the first and second quarters, respectively, but rose 56.2% in the third quarter. Likewise, the number of hours worked also rebounded, up 30.3% in the third quarter after dropping by 7.0% and 37.8% in the prior two quarters, respectively. Labor productivity in the third quarter for durable and nondurable goods manufacturers rose 47.0% and 0.7%, respectively, while output soared 99.8% and 22.6%.

Meanwhile, nonfarm business labor productivity rose an annualized 4.6% in the third quarter, extending the 10.6% gain in the second quarter, which was the best reading since the first quarter of 1971. Output increased 43.4% in the third quarter following declines of 6.4% and 36.8% (a record, dating back to 1947) in the first and second quarters, respectively. Hours worked also bounced back from sharp declines in the previous two quarters.

- **University of Michigan Consumer Sentiment:** Consumer confidence rose from 76.9 in November to 81.4 in December, according to preliminary data from the University of Michigan and Thomson Reuters. Americans felt more upbeat in their assessments of both current economic conditions and the outlook for the coming months. There were wide disparities along partisan lines, with Democrats more positive than Republicans post-election (a reversal of the previous trend). Overall, consumer confidence remains well below the levels before the pandemic. The Index of Consumer Sentiment averaged 81.6 in 2020, down from 98.4 and 96.0 in 2018 and 2019, respectively. Final data will be released Dec. 23.
- **Weekly Initial Unemployment Claims:** Initial unemployment claims totaled 853,000 for the week ending Dec. 5, the highest level since the week ending Sept. 19 and up from 716,000 in the previous release for the week ending Nov. 28. This suggests that the continued spread of COVID-19, along with new restrictions, has resulted in an increased pace of Americans filing for first-time unemployment insurance benefits. The data remain elevated despite significant progress since peaking at 6,867,000 for the week ending March 28.

Meanwhile, continuing claims also rose, up from 5,527,000 for the week ending Nov. 21 to 5,757,000 for the week ending Nov. 28. This was consistent with 3.9% of the workforce, up from 3.8% in the previous report. At the same time, 19,043,429 Americans received some form of unemployment insurance benefit (including state and federal programs) for the week ending Nov. 21, down from 20,163,478 for the week ending Nov. 14.

Take Action

The NAM will be hosting a webinar on the global economic and trade policy outlook in 2021 on **Wednesday, Dec. 16, at 11:00 a.m. EST**. The webinar will feature NAM Chief Economist Chad Moutray, NAM Senior Director of International Economic Affairs Ken Monahan, NAM Director of International Business Policy Ryan Ong and

NAM Director of Trade Facilitation Policy Ali Aafedt.

If you or a colleague would like to register for this webinar, click [here](#); registrants will receive connection details directly.

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