

MONDAY ECONOMIC REPORT



Manufacturing Job Openings Exceed 1 Million for First Time

By Chad Moutray – Dec. 13, 2021

The Weekly Toplines

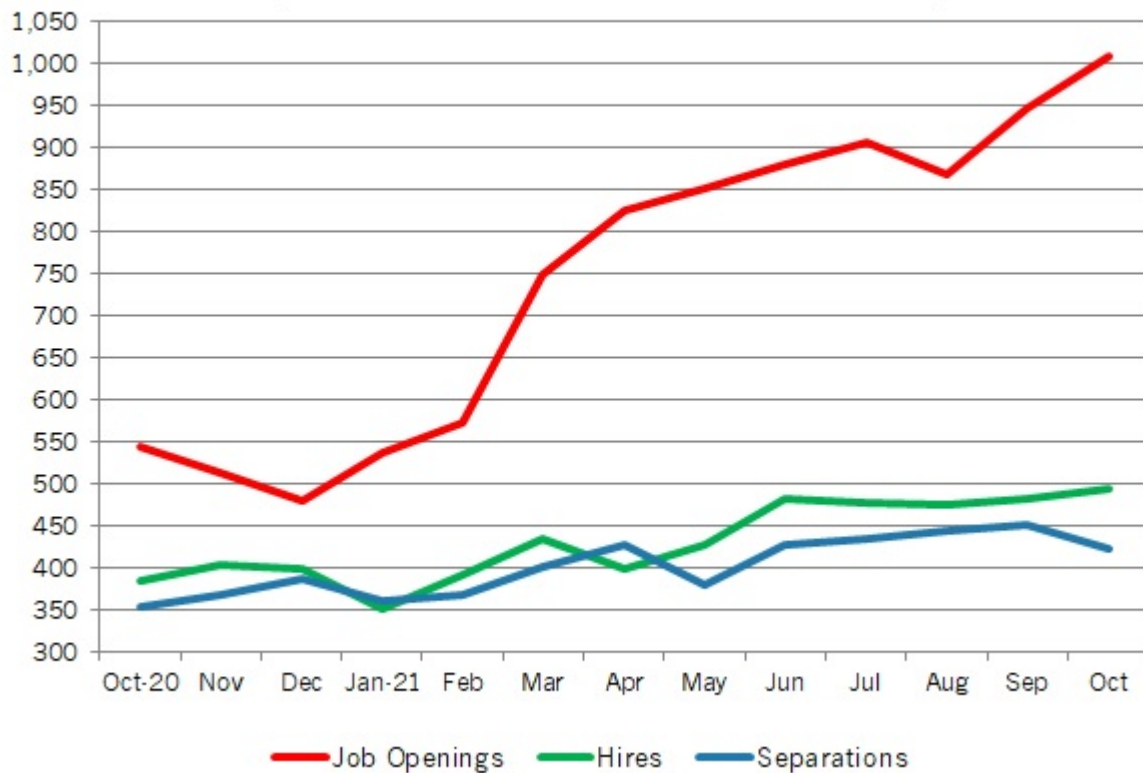
- There were a record 1,009,000 [job openings in manufacturing](#) in October, up from 948,000 in September. It was the seventh straight month with postings that have exceeded 800,000, averaging 899,000 over that time frame. In October, both durable and nondurable goods firms also experienced record paces of job openings.
- Nonfarm business job openings increased from 10,602,000 in September to 11,033,000 in October, which was not far from the record level in July (11,098,000). For every 100 job openings, there were just 67 unemployed workers in the U.S. economy to potentially fill them.
- [Initial unemployment claims](#) fell to 184,000 for the week ending Dec. 4, the lowest since the week ending May 10, 1969.
- The [Index of Consumer Sentiment](#) rose from 67.4 in November to 70.4 in December, largely on worries about inflation, according to preliminary data from the University of Michigan and Thomson Reuters. The headline index has averaged 70.5 over the past five months (August to December), down from 84.6 in the prior five months (March to July).
- Interestingly, households in the lowest third of income distribution felt more upbeat in consumer sentiment. Consumers with less household income predicted the fastest wage growth over the next 12 months since 1981, speaking to the competitiveness of the labor market and the need for sharply higher compensation to attract and keep workers.
- [Consumer prices](#) increased 0.8% in November, and excluding food and energy, core consumer prices increased 0.5%. The consumer price index has risen 6.9% over the past 12 months (seasonally adjusted), the fastest year-over-year pace since June 1982. At the same time, core inflation (which excludes food and energy) increased by a seasonally adjusted 5.0% year-over-year in November, up from 4.6% in the prior release and the biggest increase since June 1991.
- Prices are predicted to continue growing by more than consumers have become accustomed to in recent years, even with some stabilization in the coming months. The current forecast is for core consumer inflation to rise around 2.8% year-over-year by the end of 2022.
- For its part, the Federal Reserve is widely expected to announce an acceleration in the pace of tapering its asset purchases at the Dec. 14–15 Federal Open Market

Committee meeting. In addition, the FOMC could start increasing short-term interest rates as soon as the May 3–4, 2022, meeting once the tapering concludes.

- After soaring to a record high, skewed by supply chain disruptions and the chip shortage, the [U.S. trade deficit](#) plummeted from \$81.44 billion in September to \$67.12 billion in October, a six-month low. Good exports and imports both jumped to new all-time highs, but growth for the former far outpaced the latter.

Manufacturing Job Openings, Hires and Separations

(October 2020 – October 2021, in thousands of workers)



Economic Indicators

Last Week's Indicators:
(Summaries Appear Below)

Monday, Dec. 6
None

Tuesday, Dec. 7
Consumer Credit
International Trade Report
Productivity and Costs (Revision)

Wednesday, Dec. 8
Job Openings and Labor Turnover Survey

Thursday, Dec. 9
Weekly Initial Unemployment Claims

This Week's Indicators:

Monday, Dec. 13
None

Tuesday, Dec. 14
NFIB Small Business Survey
Producer Price Index

Wednesday, Dec. 15
FOMC Monetary Policy Statement
NAHB Housing Market Index
New York Fed Manufacturing Survey
Retail Sales

Thursday, Dec. 16

Friday, Dec. 10*Consumer Price Index**University of Michigan Consumer Sentiment**Housing Starts and Permits**IHS Markit Flash U.S. Manufacturing PMI**Industrial Production**Kansas City Fed Manufacturing Survey**NAM Manufacturers' Outlook Survey**Philadelphia Fed Manufacturing Survey**Weekly Initial Unemployment Claims***Friday, Dec. 17***State Employment Report***Deeper Dive**

- **Consumer Credit:** U.S. consumer credit outstanding rose 4.6% in October, slowing from the 7.7% gain in September but remaining a solid figure. Revolving credit, which includes credit cards and other credit lines, jumped 7.8% in October, extending the 11.7% increase in September. Data over the past two months suggest that Americans have once again increased their willingness to take on revolving credit. Over the past 12 months, revolving credit has risen 4.0%, the strongest year-over-year growth since August 2019. While revolving credit remains below pre-pandemic levels, the rebound should bode well for continued consumer spending growth moving forward, particularly for the all-important holiday sales.

Meanwhile, nonrevolving credit, which includes auto and student loans, increased 3.7% in October, easing from 6.5% growth in September. On a year-over-year basis, nonrevolving credit has increased 5.6%. Overall, U.S. consumer credit outstanding has risen 5.2% over the past 12 months, the strongest year-over-year reading since July 2019.

- **Consumer Price Index:** Consumer prices increased 0.8% in November, extending the 0.9% gain in October, which was the fastest monthly pace since June 2008. Food and energy costs rose 0.7% and 3.5%, respectively, in November, with gasoline prices up 6.1%. Excluding food and energy, core consumer prices increased 0.5% in November.

The cost of used cars and trucks jumped 2.5% for the second straight month, with prices for new vehicles up 1.1%. To put the growth of those figures in perspective, with the automotive sector continuing to be challenged by supply chain disruptions and the chip shortage, new vehicles and used cars and trucks have seen price growth of 11.1% and 31.4% year-over-year. Consumers also paid more for apparel, household furnishings and supplies, medical care, shelter and transportation services.

The consumer price index has risen 6.9% over the past 12 months (seasonally adjusted), up from 6.2% in October and the fastest year-over-year pace since June 1982. (The non-seasonally adjusted figure was 6.8%.) At the same time, core inflation (which excludes food and energy) increased by a seasonally adjusted 5.0% year-over-year in November, up from 4.6% in the prior release and the biggest increase since June 1991. (The unadjusted figure was 4.9%.)

Overall, price pressures for consumers remain very elevated. Automobiles exerted an outsized impact in this report, as noted above. 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 consumers have become accustomed to in recent years, with core consumer inflation rising around 2.8% year-over-year by the end of 2022.

- **[International Trade Report](#)**: After soaring to a record high, skewed by supply chain disruptions and the chip shortage, the U.S. trade deficit plummeted from \$81.44 billion in September to \$67.12 billion in October, a six-month low. Goods exports (up from \$142.91 billion to \$158.73 billion) and goods imports (up from \$240.89 billion to \$242.67 billion) both jumped to a new all-time high, but growth for the former far outpaced the latter. At the same time, the service-sector trade surplus has improved from \$15.97 billion in August, the lowest since December 2011, to \$16.55 billion in September, to \$16.83 billion in October.

For the month, goods exports rose sharply for industrial supplies and materials (up \$6.45 billion), non-automotive capital goods (up \$3.07 billion), foods, feeds and beverages (up \$2.06 billion), consumer goods (up \$1.64 billion) and automotive vehicles, parts and engines (up \$1.55 billion). Meanwhile, goods imports increased for automotive vehicles, parts and engines (up \$1.46 billion), consumer goods (up \$937 million) and foods, feeds and beverages (up \$298 million), which were enough to offset decreases in imports for industrial supplies and materials (down \$515 million) and non-automotive capital goods (down \$460 million).

Looking at longer-term trends, U.S.-manufactured goods exports totaled \$934.62 billion through the first 10 months of 2021, soaring 18.78% from \$786.86 billion year to date in 2020.

- **[Job Openings and Labor Turnover Survey](#)**: There were a record 1,009,000 job openings in manufacturing in October, up from 948,000 in September. It was the seventh straight month with postings that have exceeded 800,000, averaging 899,000 over that time frame. In October, both durable (up from 568,000 to 584,000) and nondurable (up from 380,000 to 425,000) goods firms also experienced record paces of job openings.

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 the larger economy, nonfarm business job openings increased from 10,602,000 in September to 11,033,000 in October, which was not far from the record level in July (11,098,000). There were 7,419,000 unemployed Americans in October, which translates to 0.67 unemployed workers for every one job opening in the U.S. economy. That number speaks to the extreme tightness of the labor market, with more job openings than people looking for work. Note that the number of unemployed Americans [fell further](#) in November, down to 6,877,000.

Manufacturers hired 495,000 workers in October, up from 483,000 in September and the most since January 2001, with improved hiring for both durable and nondurable goods firms. Total separations dropped from 452,000 to 424,000, a five-month low. Therefore, net hiring (or hiring minus separations) was a very robust 71,000 in October, averaging 46,333 over the past six months.

- **[Productivity and Costs \(Revision\)](#)**: Manufacturing labor productivity fell 1.8% in the third quarter at the annual rate, pulling back from the 8.4% gain in the second quarter. Output growth continued to reflect recovery in the economy, rising 5.8% and 5.1% in the second and third quarters, respectively. However, real hourly compensation decreased 3.7% in the third quarter, pulling the headline figure lower. Unit labor costs for manufacturers rose 4.6% in the third quarter.

Labor productivity for durable goods increased 0.7% in the third quarter, with output jumping 9.7% but real hourly compensation declining 4.6%. At the same time, labor productivity for nondurable goods decreased 3.6% in the third quarter, with output edging up 0.3% and real hourly compensation pulling back 2.3%.

Meanwhile, nonfarm business labor productivity dropped 5.2% in the third quarter, falling for the first time in 2021. Output grew 1.8% for the quarter, but the number of hours worked soared 7.4%. Real hourly compensation declined 2.5%, and unit labor costs jumped 9.6%.

- **[University of Michigan Consumer Sentiment](#)**: The Index of Consumer Sentiment rose from 67.4 in November to 70.4 in December, according to preliminary data from the University of Michigan and Thomson Reuters. This represented a slight improvement for the month, both for current and future economic conditions. Yet, Americans are dramatically less upbeat today than earlier in the year, largely based on worries about higher prices. The headline index has averaged 70.5 over the past five months (August to December), down from 84.6 in the prior five months (March to July).

Interestingly, households in the lowest third of income distribution felt more upbeat in this release, but other income groups less so. Consumers with less household income predicted the fastest wage growth over the next 12 months since 1981, which likely influenced that result, and it speaks to the competitiveness of the labor market and the need for sharply higher compensation to attract and keep workers. Final data will be released on Dec. 23.

- **[Weekly Initial Unemployment Claims](#)**: Initial unemployment claims totaled 184,000 for the week ending Dec. 4, down from 227,000 for the week ending Nov. 27 and the lowest since the week ending May 10, 1969. Meanwhile, there were 1,992,000 continuing claims for the week ending Nov. 27, which was not far from the post-pandemic low of 1,954,000 for the week ending Nov. 20. Continuing claims were consistent with 1.5% of the workforce, ticking up from 1.4% in the previous report.

At the same time, 1,947,598 Americans received some form of unemployment insurance benefit (including state and federal programs) for the week ending Nov. 20, down from 2,298,125 for the week ending Nov. 13. This was the result of lower state and pandemic unemployment insurance claims.

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