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MONDAY ECONOMIC REPORT

Producer Prices Reach Highest Year-Over-Year Pace Since 2011

By Chad Moutray – April 12, 2021

The Weekly Toplines

- Producer prices for final demand goods and services rose 1.0% in March, with producer prices for final demand goods increasing 1.7%, the largest monthly gain since the series began in November 2009. Over the past 12 months, producer prices for final demand goods and services have jumped by a seasonally adjusted 4.3%, the biggest increase since September 2011. Core producer prices have risen 3.1% since March 2020, the fastest pace since October 2018.

- Manufacturing leaders continue to cite supply chain disruptions as a key challenge, with rising material costs topping the list of concerns in the latest NAM Manufacturers' Outlook Survey. There is hope that these increases will be transitory, and at least for now, the Federal Reserve appears to be more focused on stimulating economic growth than on inflationary worries.

- New orders for manufactured goods declined 0.8% in February, largely on weather and supply chain challenges. Despite the weaker monthly data, factory orders have risen 1.9% over the past 12 months, with 3.6% growth year-over-year with transportation equipment excluded.

- New orders for core capital goods—a proxy for capital spending in the U.S. economy—declined 0.9% from January's record high. Overall, however, core capital goods orders have risen a robust 8.2% over the past 12 months, speaking to the brighter economic outlook.

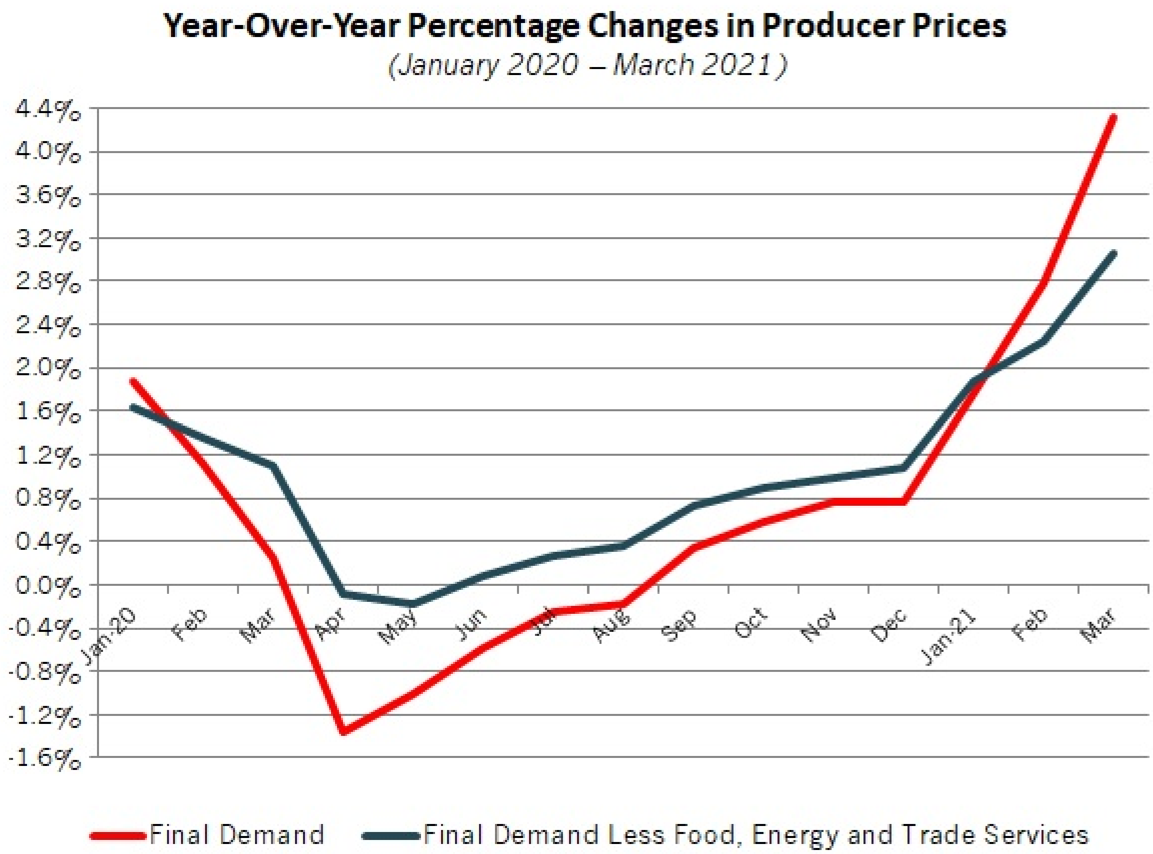
- There were 538,000 manufacturing job openings in February. Overall, these data offer an encouraging sign that manufacturers are confident enough about the coming months to post new jobs.

- In the larger economy, there were 7,367,000 nonfarm business job openings in February, the best reading since January 2019. That translated to 1.35 unemployed workers for every one job opening in the U.S. economy, down from 1.43 in January.

- The U.S. trade deficit rose to $71.08 billion in February, an all-time high, with goods exports falling by more than goods imports for the month. Goods exports remain down 5.15% year-over-year despite progress since last spring, whereas goods imports have recovered much quicker, up 10.31% over the past 12 months.

- According to the latest data, U.S.-manufactured goods exports totaled $161.17 billion in January and February, using non-seasonally adjusted data, dropping 8.59% from $176.31 billion year to date in 2020.

- U.S. consumer credit outstanding soared 7.9% in February, rebounding after being flat in January. While revolving credit has fallen 11.2% year-over-year, this category jumped 10.1% in February. It is hoped that this is the beginning of a new trend, with Americans more willing to spend and take on credit. This would be welcome news for retailers (and manufacturers).



Economic Indicators

Last Week's Indicators:
(Summaries Appear Below)

Monday, April 5
Factory Orders and Shipments

Tuesday, April 6
Job Openings and Labor Turnover Survey

Wednesday, April 7
Consumer Credit
International Trade Report

Thursday, April 8
Weekly Initial Unemployment Claims

Friday, April 9
Producer Price Index

Monday, April 12
None

Tuesday, April 13
Consumer Price Index
NFIB Small Business Survey

Wednesday, April 14
None

Thursday, April 15
Industrial Production
NAHB Housing Market Index
New York Fed Manufacturing Survey
Philadelphia Fed Manufacturing Survey
Retail Sales
Weekly Initial Unemployment Claims

Friday, April 16
Housing Starts and Permits
State Employment Report
University of Michigan Consumer Sentiment (Preliminary)

Deeper Dive

- **Consumer Credit:** U.S. consumer credit outstanding soared 7.9% in February, rebounding after being flat in January. More importantly, revolving credit, which includes credit cards and other credit lines, jumped 10.1% in February after declining in the four prior months. Over the past 12 months, revolving credit has decreased 11.2%, suggesting that Americans had reduced their willingness to take on more credit and likely paying down some of their existing balances. Yet, the February data provide some encouragement that consumers have begun to shift in that thinking. Indeed, an increased willingness to spend and take on more credit would be welcome news for retailers (and manufacturers) and a sign that that the economic outlook might have brightened.

  Meanwhile, nonrevolving credit, which includes auto and student loans, rose 7.3% in February, with 4.0% growth year-over-year. Overall, U.S. consumer credit outstanding has been essentially unchanged since February 2020.

- **Factory Orders and Shipments:** New orders for manufactured goods declined 0.8% in February, pulling back from the 2.7% gain in January, largely on weather and supply chain challenges. Durable and nondurable goods sales fell 1.2% and 0.4% in February, respectively. Despite the weaker monthly data, factory orders have risen 1.9% over the past 12 months, with 3.6% growth year-over-year with transportation equipment excluded. This year-over-year growth represents an impressive rebound given the 23.0% decline in the demand for manufactured goods between February and April 2020 at the beginning of the COVID-19 pandemic.

  In addition, the data continue to point to the strength of the manufacturing sector since last year. For instance, durable goods orders have risen 3.2% since February 2020, or with transportation equipment sales excluded, orders jumped 8.4% year-over-year. Likewise, new orders for core capital goods (or nondefense capital goods excluding aircraft)—a proxy for capital spending in the U.S. economy—declined 0.9% from $73.1 billion in January, a record high, to $72.5 billion in February. As such, core capital goods orders have risen a robust 8.2% over the past 12 months.

  Meanwhile, factory shipments decreased 2.0% in February, with durable and nondurable goods shipments falling 3.6% and 0.4% for the month, respectively. Excluding transportation equipment, manufactured goods shipments declined 0.7%, with durable goods shipments down 1.3% without transportation equipment included. Since February 2020, factory shipments have risen 1.0%, or with transportation equipment excluded, manufactured goods shipments increased 2.7% year-over-year. At the same time, core capital goods shipments declined 1.1% from the all-time high of $72.0 billion in January to $71.2 billion in February. However, over the past 12 months, core capital goods shipments have soared 7.0%.

- **[International Trade Report](#):** The U.S. trade deficit rose from $67.82 billion in January to $71.08 billion in February, an all-time high. Goods exports (down from $135.89 billion to $131.13 billion) fell by more than goods imports (down from $221.18 billion to $219.40 billion), sending the headline number higher. While trade volumes have rebounded solidly after being battered by COVID-19 and the global recession last spring, goods exports remain 5.15% below the $138.25 billion in February 2020. Goods imports, however, have recovered much quicker, with February's pace pulling back somewhat from the record high recorded in January and activity up 10.31% year-over-year (up from $198.65 billion in February 2020). Moreover, the petroleum trade balance was a deficit ($1.39 billion) for the first time since December 2019.

  Meanwhile, the service-sector trade surplus decreased from $17.40 billion in January to $16.93 billion in February, the lowest since January 2012.

  In February, goods exports declined for non-automotive capital goods (down $2.45 billion), consumer goods (down $937 million), foods, feeds and beverages (down $727 million) and automotive vehicles, parts and engines (down $703 million). Exports of industrial supplies and materials (up $352 million) were boosted by strength in natural gas exports (up $2.40 billion). At the same time, goods imports fell largely on decreased activity for automotive vehicles, parts and engines (down $3.39 billion), consumer goods (down $2.67 billion) and foods, feeds and beverages (down $669 million). However, a sizable increase occurred in goods imports for industrial supplies and materials (up $3.53 billion).

  According to the latest data, U.S.-manufactured goods exports totaled $161.17 billion in January and February, using non-seasonally adjusted data, dropping 8.59% from $176.31 billion year to date in 2020.

- **Job Openings and Labor Turnover Survey:** There were 538,000 manufacturing job openings in February, edging up from 537,000 in January. Over the past seven months, postings in the sector have averaged more than 513,000 each month, including October's reading, which hit a record high at 545,000. In the latest figures, job openings rose for nondurable goods firms, up from 228,000 to 234,000, but postings were slightly lower for durable goods manufacturers, down from 308,000 to 304,000. Overall, these data offer an encouraging sign that manufacturers are confident enough in the economic outlook for their businesses to post new jobs. These data also coincide with manufacturers' lingering challenges finding enough talent, as noted in the NAM's most recent outlook survey.

  In the larger economy, nonfarm business job openings increased from 7,099,000 in January to 7,367,000 in February, the best reading since January 2019. In February, there were 9,972,000 Americans who were unemployed, which translates to 1.35 unemployed workers for every one job opening in the U.S. economy, down from 1.43 in January. 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 February, manufacturers hired 387,000 workers, up from 351,000 in January and rising for both durable and nondurable goods firms. At the same time, total separations remained at 362,000 in February. Therefore, net hiring (or hiring minus separations) was 25,000 in February, up from -11,000 in January and a three-month high.

  Layoffs in the manufacturing sector declined from 90,000 in January to 84,000 in February, the lowest reading since August 2014. At the same time, nonfarm business layoffs ticked up from 1,724,000 to 1,775,000.

- **Producer Price Index**: Producer prices for final demand goods and services rose 1.0% in March, with producer prices for final demand goods increasing 1.7%, the largest monthly gain in the history of the series, which dates to November 2009. Energy costs soared for the fourth straight month, up 5.9% in March, with food prices increasing 0.5% for the month. Excluding food and energy, producer prices for final demand goods rose 0.9% in March, a new record. At the same time, producer prices for final demand services rose 0.7% for the month. Costs for transportation and warehousing soared 1.5% in March, the fastest monthly pace since December 2013.

  Over the past 12 months, producer prices for final demand goods and services have jumped by a seasonally adjusted 4.3%, the biggest increase since September 2011. Likewise, core producer prices have risen 3.1% since March 2020, the fastest pace since October 2018.

  Manufacturing leaders continue to cite supply chain disruptions as a key challenge. With that in mind, the jump in raw material prices was not a surprise. It is hoped that these increases will be transitory, and at least for now, the Federal Reserve appears to be more focused on stimulating economic growth than on inflationary worries. Still, manufacturers say that rising raw material costs are their top concern right now.

- **Weekly Initial Unemployment Claims**: Initial unemployment claims totaled 744,000 for the week ending April 3, up from 728,000 for the week ending March 27 and rising for the second straight report. Over the past seven weeks, initial claims have averaged 732,286 each week. Meanwhile, continuing claims edged down from 3,750,000 for the week ending March 20 to 3,734,000 for the week ending March 27. Although this figure represents the lowest level since the week ending March 21, 2020, it is still too high and consistent with 2.6% of the workforce.

  At the same time, 18,164,588 Americans received some form of unemployment insurance benefit (including state and federal programs) for the week ending March 20. That figure declined somewhat from 18,215,450 for the week ending March 13.

Questions or comments? Email NAM Chief Economist Chad Moutray at cmoutray@nam.org.