

MONDAY ECONOMIC REPORT



Jobs Jump and Pay Bumps Higher in Manufacturing in June

By Chad Moutray – July 6, 2021

The Weekly Toplines

- [Manufacturing employment](#) rose by 15,000 in June, and in the first half of the year, the sector added 87,000 employees. There remained 481,000 fewer manufacturing employees relative to pre-pandemic levels. Nonfarm payroll employment rose by 850,000 workers in June, buoyed by the reopening of the economy, especially in leisure and hospitality. Yet, the unemployment rate inched up from 5.8% in May to 5.9% in June.
- With the labor market tight, the average hourly earnings of production and nonsupervisory workers in manufacturing rose to \$23.75 in June, up a whopping 5.0% year-over-year.
- [Initial unemployment claims](#) fell to 364,000 for the week ending June 26, a post-pandemic low.
- The [ISM® Manufacturing Purchasing Managers' Index®](#) edged down 61.2 in May to 60.6 in June, but it was the sixth time in the past seven months that the headline index exceeded 60, signaling very strong growth. Prices soared at the fastest rate since July 1979, and survey respondents continued to cite widespread supply chain challenges. Similar trends were observed in the [report](#) from the Dallas Federal Reserve Bank.
- [New orders for manufactured goods](#) rose 1.7% in May, rebounding from the 0.1% decline seen in April. Overall, the manufacturing sector continues to expand strongly despite lingering supply chain and pricing pressures, with new orders increasing 7.1% since February 2020, or 9.1% with transportation equipment excluded. Core capital goods spending and shipments increased to record levels.
- The [U.S. trade deficit](#) rose from \$69.07 billion in April to \$71.24 billion in May, largely on higher goods imports. At the same time, goods exports edged higher to an all-time high, with exports for foods, feeds and beverages and industrial supplies and materials reaching new records.
- Using non-seasonally adjusted data, U.S.-manufactured goods exports have rebounded strongly through the first five months of 2021, soaring 14.21% year to date relative to the same time period in 2020. That is encouraging news.
- Still, since the pandemic began, growth in goods imports have outpaced gains in goods exports, up 17.70% and 7.24%, respectively, since February 2020.

- [Private manufacturing construction spending](#) fell 2.7% in May, pulling back for the second straight month. Since the pandemic began, private manufacturing construction activity has plummeted 9.1%, but there is hope for a recovery moving forward.
- [Consumer confidence](#) rose to a post-pandemic high, rising from 120.0 in May to 127.3 in June, the best reading since March 2020, according to the Conference Board. Americans felt more upbeat about the current and future economy, largely on improvements in financial and labor market conditions.

Manufacturing Average Hourly Earnings, Production and Nonsupervisory Workers, 2016–2021, Year-Over-Year Percentage Growth by Month



Economic Indicators

Last Week's Indicators: *(Summaries Appear Below)*

Monday, June 28
Dallas Fed Manufacturing Survey

Tuesday, June 29
Conference Board Consumer Confidence

Wednesday, June 30
ADP National Employment Report

Thursday, July 1
Construction Spending
ISM® Manufacturing Purchasing Managers' Index®

This Week's Indicators:

Monday, July 5
INDEPENDENCE DAY HOLIDAY
(Observed)

Tuesday, July 6
None

Wednesday, July 7
Job Openings and Labor Turnover Survey

Thursday, July 8
Consumer Credit

Friday, July 2

*BLS National Employment Report
Factory Orders and Shipments
International Trade Report*

Deeper Dive

- **ADP National Employment Report:** Manufacturing employment increased by 19,000 in June, slowing from gains of 44,000 in both April and May but expanding for the fourth straight month, according to ADP estimates. The sector has added 149,000 employees year to date, a solid pace of job growth. At the same time, nonfarm private payrolls increased by 692,000 in June, easing from the increase of 886,000 in May. Through the first six months of 2021, total private nonfarm payrolls have risen by nearly 3,095,000 employees, with the economy and labor market recovering strongly, especially in the hard-hit service sector.

The June report noted large increases for leisure and hospitality (up 322,000), education and health services (up 123,000), trade, transportation and utilities (up 62,000), professional and business services (up 53,000), other services (up 48,000) and construction (up 47,000). Small and medium-sized businesses (i.e., those with fewer than 500 employees) added 451,000 workers in June, or 65.2% of net job creation for the month.

Despite notable progress over the past year, private nonfarm payrolls have fallen by almost 6,815,000 since February 2020, with manufacturing employment down 438,000 over the past 16 months.

- **BLS National Employment Report:** Manufacturing employment rose by 15,000 in June, a decent figure but slowing from the 39,000-worker gain seen in May. In the first half of the year, the sector added 87,000 employees, with 12,318,000 total manufacturing workers in June. In the latest data, durable goods employment rose by 18,000 in June, but there were 3,000 fewer workers among nondurable goods firms. There remained 481,000 fewer manufacturing employees relative to pre-pandemic levels, with 12,799,000 workers in the sector in February 2020.

Nonfarm payroll employment rose by 850,000 workers in June, up from 583,000 in May and the strongest monthly gain since August 2020. The labor market was buoyed by further lifting of COVID-19 restrictions, with the largest growth occurring in leisure and hospitality (up 343,000), as one might expect. The U.S. economy continues to have 6,764,000 fewer workers today than in February 2020.

The unemployment rate inched up from 5.8% in May to 5.9% in June, with the number of unemployed workers increasing from 9,316,000 to 9,484,000. The labor force participation rate was unchanged at 61.6%. For comparison purposes, the participation rate registered 63.3% in February 2020. More encouragingly, 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 10.2% to 9.8%, a 15-month low but still highly elevated.

In June, the manufacturing data provided mixed results. The largest increases in employment in the sector occurred in furniture and related products (up 8,500), fabricated metal products (up 5,700), miscellaneous durable goods (up 3,300), primary metals (up 3,100) and miscellaneous nondurable goods (up 2,900). In contrast, employment decreased in June in transportation equipment (down 6,300, including a decline of 12,300 for motor vehicles and parts), food manufacturing (down 4,100), plastics and rubber products (down 2,900) and nonmetallic mineral products (down 2,200).

Four major manufacturing sectors have exceeded their pre-pandemic levels of employment as of June: miscellaneous durable goods (up 5,000), miscellaneous nondurable goods (up 4,800), computer and electronic products (up 1,200) and chemicals (up 600). The other major sectors continued to experience reduced employment over that time frame, although some were closer to pre-pandemic paces. The largest decreases over the past 16 months included transportation equipment (down 157,100), fabricated metal products (down 61,700), printing and related support activities (down 46,300), machinery (down 42,300) and food manufacturing (down 33,200).

The average hourly earnings of production and nonsupervisory workers in manufacturing rose from \$23.60 in May to \$23.75 in June, with a whopping 5.0% increase over the past year, up from \$22.62 in June 2020.

- **Conference Board Consumer Confidence:** Consumer confidence increased to a post-pandemic high, rising from 120.0 in May to 127.3 in June, the best reading since March 2020, according to the Conference Board. Americans felt more upbeat about the current and future economy, largely on improvements in financial and labor market conditions. The percentage of respondents suggesting that business conditions were “good” increased from 19.9% to 24.5%, while the percentage feeling that conditions were “bad” dropped from 20.6% to 19.5%. At the same time, the percentage of respondents suggesting jobs were “plentiful” rose from 48.5% to 54.4%, while those saying jobs were “hard to get” dipped from 11.6% to 10.9%.

Regarding the outlook, the percentage of consumers anticipating better business conditions over the next six months increased from 31.0% to 33.3%, while those predicting a worsening of conditions declined from 14.4% to 10.6%. Meanwhile, the percentage of respondents expecting more jobs in the next six months declined from 27.7% to 25.7%, while those expecting fewer jobs decreased from 17.5% to 16.0%. With that said, 18.6% of consumers predict higher incomes in the months ahead, up from 16.2%, with the percentage anticipating reduced incomes falling from 9.3% to 8.5%.

- **Construction Spending:** Private manufacturing construction spending fell 2.7% from \$71.21 billion in April to \$69.25 billion in May, pulling back for the second straight month. These data have been disappointing, but there continues to be hope for a recovery in the sector’s construction activity moving forward given the stronger economic outlook and existing constraints on capacity. With that said, private manufacturing construction has plummeted 9.1% over the past 15 months since the pandemic began, down from \$76.16 billion in February 2020.

Total private nonresidential spending decreased 1.1% in May, and since February 2020, activity has fallen 13.2%. For the month, construction activity weakened in every segment except for transportation (up 5.5%), amusement and recreation (unchanged) and office (unchanged) projects.

Overall, total private construction spending decreased 0.3% in May, but with 6.5% growth over the past 15 months. This was boosted by strength in the housing market, which edged up 0.2% in May to a new record high, soaring 27.1% since February 2020. In May, new single-family construction increased 0.8%, but multifamily activity was flat. Meanwhile, public construction spending inched down 0.2% in May, with a decline of 7.9% from the pre-pandemic pace.

- **[Dallas Fed Manufacturing Survey](#)**: Manufacturing activity continued to expand strongly, even as the composite index of general business conditions pulled back from 34.9 in May to 31.1 in June. Many of the key measures improved in June, including new orders, production, shipments, capacity utilization and employment. Wages and benefits rose at the fastest pace on record, for a series dating to June 2004, reflecting labor market tightness. In addition, ongoing supply chain disruptions pushed growth in raw materials prices and finished goods prices to new highs as well, mirroring inflationary pressures seen in other reports.

Looking ahead, manufacturers in the Texas district remained upbeat in their outlook for the next six months, with the forward-looking composite measure increasing from 31.4 in May to 37.3 in June. Manufacturers expect new orders to expand at the best pace in four years, with production up at the fastest rate since May 2018. Manufacturers anticipate shipments to increase at rates not seen since November 2005. With such solid growth, manufacturers forecast input prices to continue to accelerate rapidly, even with the index easing from the strongest reading since February 2011.

- **[Factory Orders and Shipments](#)**: New orders for manufactured goods rose 1.7% in May, rebounding from the 0.1% decline in April. Durable and nondurable goods orders increased 2.3% and 1.0% in May, respectively. Excluding transportation equipment, factory orders rose 0.7% in May, with durable goods sales excluding transportation equipment up 0.3% for the month. Overall, the manufacturing sector continues to expand strongly despite lingering supply chain and pricing pressures, with new orders increasing 7.1% since February 2020 (before the pandemic), or 9.1% with transportation equipment excluded.

In addition, durable goods orders have increased 9.7% over the past 15 months, or with transportation equipment sales excluded, orders have jumped 16.3% since February 2020. Likewise, new orders for core capital goods (or nondefense capital goods excluding aircraft)—a proxy for capital spending in the U.S. economy—edged up 0.1% from \$75.3 billion in April to \$75.4 billion in May, a record high. As such, core capital goods orders have risen a robust 16.2% since February 2020.

Meanwhile, factory shipments rose 0.7% in May, building on the 0.2% gain seen in April. Durable and nondurable goods increased 0.4% and 1.0% for the month, respectively. Since February 2020, factory shipments increased 4.6%, or with transportation equipment excluded, manufactured goods shipments increased 7.4% over the past 15 months. At the same time, core capital goods shipments increased 1.1% from \$72.6 billion in April to \$73.3 billion in May, an all-time high. Since February 2020, core capital goods shipments have soared 12.9%.

- **[International Trade Report](#)**: The U.S. trade deficit rose from \$69.07 billion in April to \$71.24 billion in May. Goods imports increased from \$231.96 billion to \$234.70 billion, enough to offset the slight rise in goods exports to a new record, up from \$145.09 billion to \$145.53 billion. Growth in goods exports (up 10.67%) has outpaced the

increase in goods imports (up 8.52%) year to date, but since the COVID-19 pandemic began, it has been the opposite—since February 2020, goods exports and imports have increased 7.24% and 17.70%, respectively. Meanwhile, the service-sector trade surplus edged up from \$17.80 billion in April, the lowest since August 2012, to \$17.93 billion.

In May, goods exports for foods, feeds and beverages (up \$297 million) and industrial supplies and materials (up \$141 million) both rose to all-time highs, with strong growth in consumer goods (up \$979 million). Those were counterbalanced by declines in exports for automotive vehicles and parts (down \$546 million) and non-automotive capital goods (down \$453 million). At the same time, growth in goods imports was led by strength in industrial supplies and materials (up \$2.57 billion), foods, feeds and beverages (up \$841 million) and consumer goods (up \$265 million), with reduced imports for non-automotive capital goods (down \$1.13 billion) and automotive vehicles and parts (down \$172 million).

According to the latest data, U.S.-manufactured goods exports totaled \$449.88 billion through the first five months in 2021, using non-seasonally adjusted data, soaring 14.21% from \$393.91 billion year to date in 2020.

- **[ISM® Manufacturing Purchasing Managers' Index®](#)**: The Institute for Supply Management® reported that manufacturing activity expanded robustly once again, even with the headline index edging down from 61.2 in May to 60.6 in June. This marked the sixth time in the past seven months that the headline index exceeded 60, signaling very strong growth. The underlying data were mixed. New orders (down from 67.0 to 66.0) slowed slightly, but production (up from 58.5 to 60.8) and exports (up from 55.4 to 56.2) strengthened. Employment (down from 50.9 to 49.9) contracted marginally for the first time in nine months. Several of the sample comments noted supply chain disruptions and rising costs as challenges.

The index for supplier deliveries (down from 78.8 to 75.1) pulled back from the highest reading since April 1974 but continued to reflect very slow delivery times. (In this case, index values above 50 are consistent with slower deliveries.) Similarly, the backlog of orders (down from 70.6 to 64.5) remained very elevated despite slipping from a record pace in the previous release, and the index for customer inventories (up from 28.0 to 30.8) improved from an all-time low but continued to suggest extremely low stockpiles.

Prices (up from 88.0 to 92.1) soared at the fastest rate since July 1979. ISM® Manufacturing Business Survey Committee Chair Timothy Fiore said, “Virtually all basic and intermediate manufacturing materials are experiencing price increases as a result of product scarcity and the dynamics of supply and demand, with an increasing number of panelists reporting higher prices [in June] compared to May.”

- **[Weekly Initial Unemployment Claims](#)**: Initial unemployment claims totaled 364,000 for the week ending June 26, down from 415,000 for the week ending June 19. It was the lowest since the week of March 14, 2020, making the current reading a post-pandemic low. Meanwhile, continuing claims edged up from 3,413,000 for the week ending June 12 to 3,469,000 for the week ending June 19. This remained consistent with 2.5% of the workforce.

At the same time, 14,659,791 Americans received some form of unemployment insurance benefit (including state and federal programs) for the week ending June 12. That figure declined somewhat from 14,840,681 for the week ending June 5, largely on reduced pandemic and state assistance.

Take Action

- **Second Quarter Economic Outlook Webinar**—The [Q2 Manufacturers' Outlook Survey](#) shows manufacturers' optimism is near a three-year high. However, manufacturers' top concerns are large-scale issues, ones seemingly often out of their control. Facing these external pressures, explore efficient options to mitigate one controllable risk that affects several other risks and subsequent costs: the mental and physical fatigue facing your current workforce. Join NAM Chief Economist Chad Moutray on Thursday, July 8, at 2:00 p.m. EDT for a review of the latest survey results and current economic indicators and learn how a focus on one of the top issues could positively impact several of the other top 10 issues. Click [here](#) to register.
- **Focus on Manufacturing Engagement and Retention Webinar**— The Manufacturing Institute and the American Psychological Association examined best practices for retention among manufacturers and explored the motivating factors that affect worker retention, both through a survey and structured interviews. Join the MI and APA on Tuesday, July 20, at 11:00 a.m. EDT for a webinar on the findings of that analysis, focusing on work flexibility and employee satisfaction, recognition and experiences and featuring a “retention toolbox” for managers. Panelists include former APA Senior Director of the Office of Applied Psychology David Ballard and Schneider Electric Senior Vice President of Human Resources Mai Lan Nguyen. Click [here](#) to register.

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