

17.Jun.2022

Industrial Production: Still Robust But Hints of Cracks

Bottom Line: Overall, US industrial production remains robust. The critical sectors continued to see accelerating growth. But given the weakness in (sometimes more timely) survey data, we are looking for cracks -- and there were certainly hints of those forming in some sectors.

Industrial production rose slightly less than expected in May, but there were upward revisions to earlier data. The Industrial Production report is somewhat lagged relative to regional manufacturing surveys, but it offers hard data that shows activity was still historically robust if decelerating modestly through May. The auto and aerospace sectors remain critical to watch. And they continue to show moderate to even robust growth amid continued volatility. That said, overall manufacturing fell slightly, suggesting the potential that some of the parts suppliers to these sectors might be slowing.

Moreover, nondurable manufacturing was no longer accelerating --- manufacturing related to food and beverage, for instance, fell sharply and saw negative annualized growth over the prior three months as consumers shifted back towards consuming products in restaurants and bars, which requires less packaging production.

Industrial Production Total IP



Industrial Production ROSE by 0.25% in May, compared with market expectations for an increase of 0.4%. Moreover, the prior month was revised from 1.1% up to 1.4%. Output is now 5.8% ABOVE its year-ago level.

In May, **Mining Output** ROSE by 1.3%, and is now 9.0% ABOVE its year-ago level. **Utility Generation** ROSE by 1.0% and is now 8.4% ABOVE its year-ago level.

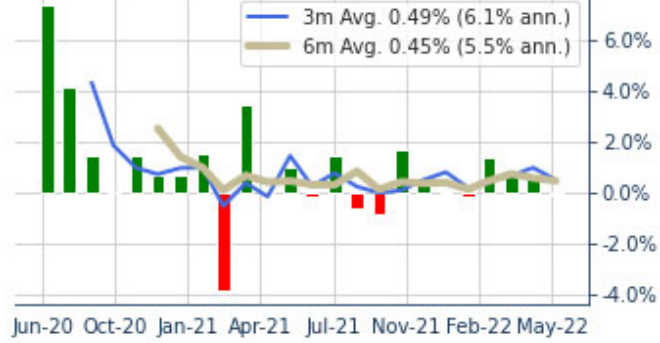
Manufacturing Output FELL by 0.1% but is now 4.8% ABOVE its year-ago level. Output in high-tech industries rose by 0.7%. Meanwhile, output in the motor vehicle industry rose by 0.7%. Excluding both the high-tech and motor vehicle industries, industrial output decreased by 0.2%.

Capacity Utilization ROSE by 0.1 points to 79.0%, compared with market expectations for a higher increase to 79.2%. Moreover, the prior month was revised from 79.0% to 78.9%. The capacity utilization rate is now 3.8 percentage points above its year-ago level and 1.0 percentage points below its long-run (1972–2015) average.

Manufacturing (NAICS)



Contingent Macro Advisors 2022 source: Federal Reserve, Consensus from Bloomberg LP



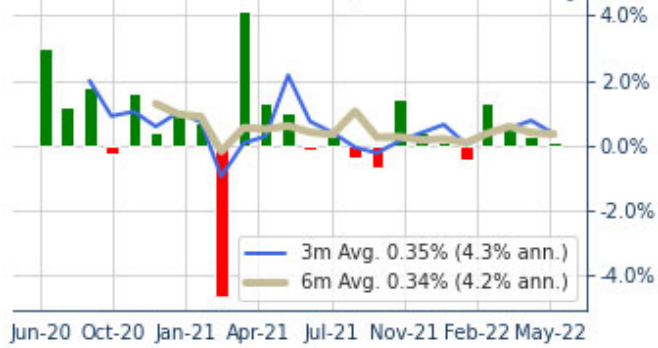
Durable manufacturing



Nondurable manufacturing



Contingent Macro Advisors 2022 source: Federal Reserve, Consensus from Bloomberg LP



Motor vehicles and parts



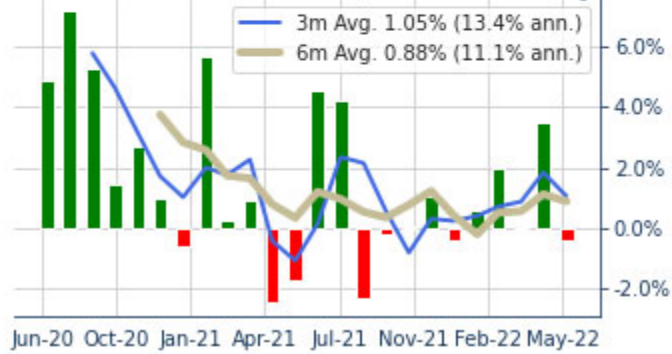
Contingent Macro Advisors 2022 source: Federal Reserve, Consensus from Bloomberg LP



Aerospace and miscellaneous transportation equipment



Contingent Macro Advisors 2022 source: Federal Reserve, Consensus from Bloomberg LP



Electrical equip., appliances, and component



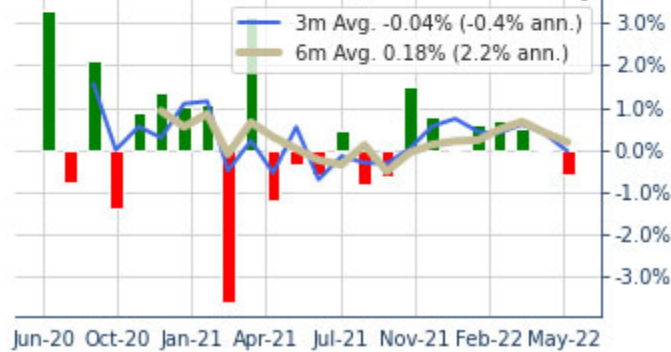
Contingent Macro Advisors 2022 source: Federal Reserve, Consensus from Bloomberg LP



Food, beverage, and tobacco products



Contingent Macro Advisors 2022 source: Federal Reserve, Consensus from Bloomberg LP



	Percent Change										
	Monthly % Changes				Annual Rates of % Change						
	May-22	Apr-22	Mar-22	Feb-22	Three Month	Six Month	Twelve Month	2020	2019	Five Year	Ten Year
Industrial Production	0.25	1.4	0.5	1.0	8.7	7.5	5.8	-3.3	-2.2	-0.1	0.5
previous estimate		1.1	0.9	1.0							
Mining	1.3	1.1	3.2	0.2	25.0	14.1	9.0	-15.2	-1.3	0.4	1.7
Utilities	1.0	5.5	-4.7	0.0	6.5	13.1	8.4	1.3	-0.9	1.6	-0.2
Manufacturing	-0.1	0.8	0.8	1.3	6.2	5.4	4.8	-2.2	-2.4	-0.5	0.2
High-Tech Industries	0.7	-1.0	1.0	2.0	2.9	5.1	4.2	8.1	8.8	8.0	7.8
Ex-high tech	-0.2	0.9	0.7	1.3	5.7	5.5	4.9	-1.9	-2.9	-0.7	0.0
Motor Vehicles & Parts	0.7	3.3	8.9	-4.2	65.1	16.1	11.6	2.9	-10.7	0.6	4.0
Ex-motor vehicles	-0.1	0.6	0.3	1.7	3.2	4.8	4.5	-2.6	-1.6	-0.6	-0.1
Ex-high tech & motor veh	-0.2	0.7	0.2	1.7	2.8	4.7	4.3	-2.9	-2.0	-0.9	-0.4
Aerospace & misc	-0.4	3.5	0.0	2.0	13.1	11.0	13.2	-13.2	3.5	-2.1	0.4
Addendum:											
Business Equipment	0.2	1.2	1.4	1.8	12.0	8.7	6.7	-8.0	-3.4	-1.0	0.2
Construction Supplies	0.2	0.6	-0.7	2.2	0.4	3.5	7.1	0.1	-2.3	0.2	1.5
Capacity Utilization Rate	79.0	78.9	77.9	77.6	78.6	77.8	76.9	74.1	76.5	76.4	76.9
		79.0	78.2	77.6							

Source: Federal Reserve Board via Bloomberg. Our calculations.

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