

16.Aug.2022

Industrial Production: Trends Turn Lower

Bottom Line: Industrial production rose slightly more than expected in July, but there were negative revisions to prior data leaving the trend decelerating. Looking through revisions and volatility, industrial production growth annualized at just 2% in the three months ended in July. Core manufacturing sectors saw a contraction over the prior three months. This compares to about 5% annualized growth for both in the prior six months, suggesting a sharp deceleration in activity. Durable manufacturing has slowed particularly sharply, led by electrical equipment, mostly related to the aerospace sector. **Overall, manufacturing has gone from a strong tailwind for growth to a modest headwind -- and most real-time surveys suggest that headwind is becoming more significant and likely to persist for the remainder of the year.**

Industrial Production Total IP



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

Industrial Production ROSE by 0.56% in July, compared with market expectations for an increase of 0.3%. Moreover, the prior month was revised from 0.2% down to 0.0%. Output is now 3.9% ABOVE its year-ago level.

In July, **Mining Output** ROSE by 0.7%, and is now 7.9% ABOVE its year-ago level.

Utility Generation FELL by 0.7% and is now 2.2% ABOVE its year-ago level.

Manufacturing Output ROSE by 0.7% and is now 3.2% ABOVE its year-ago level.

Output in high-tech industries rose by 0.4%. Meanwhile, output in the motor vehicle industry rose by 6.7%. Excluding both the high-tech and motor vehicles industries, industrial output climbed by 0.3%.

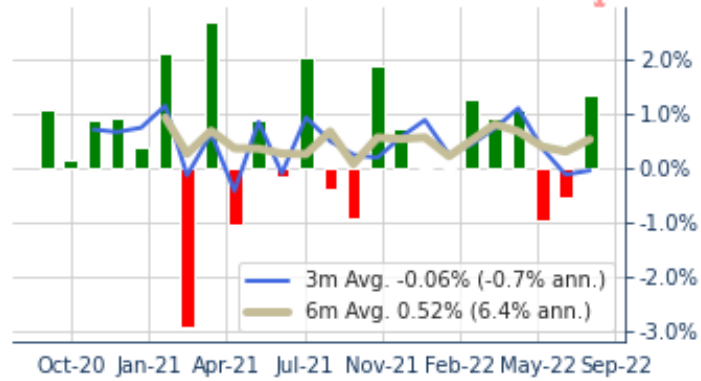
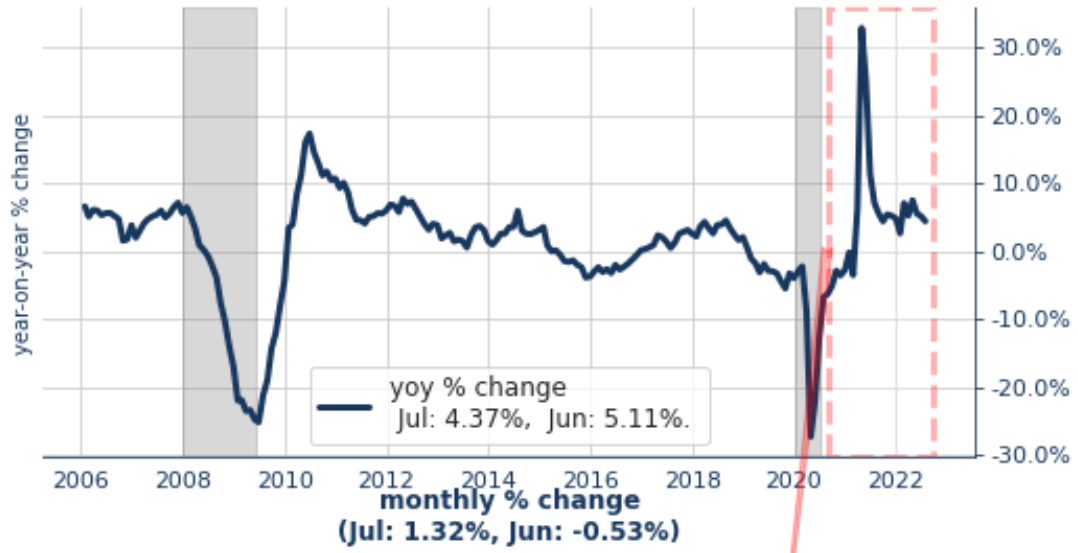
Capacity Utilization ROSE by 0.3 points to 80.3%, compared with market expectations for a smaller increase to 80.2%. Moreover, the prior month was revised from 79.0% to 79.9%. The capacity utilization rate is now 2.0 percentage points

above its year-ago level and 0.3 percentage points above its long-run (1972–2015) average.



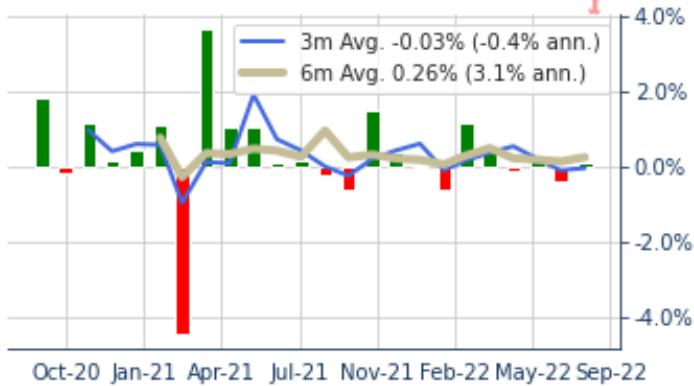
Contingent Macro Advisors 2022 source: Federal Reserve, Consensus from Bloomberg LP

Durable manufacturing



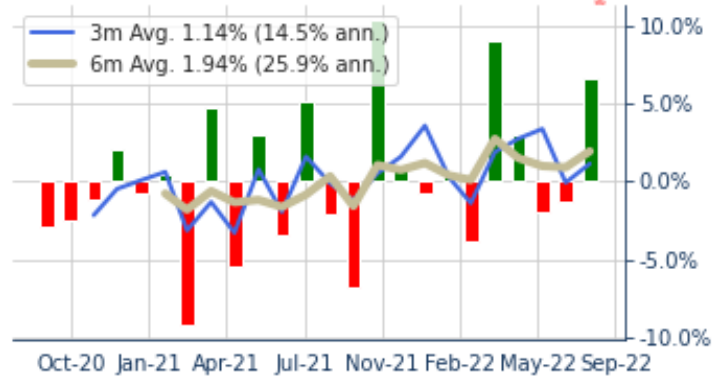
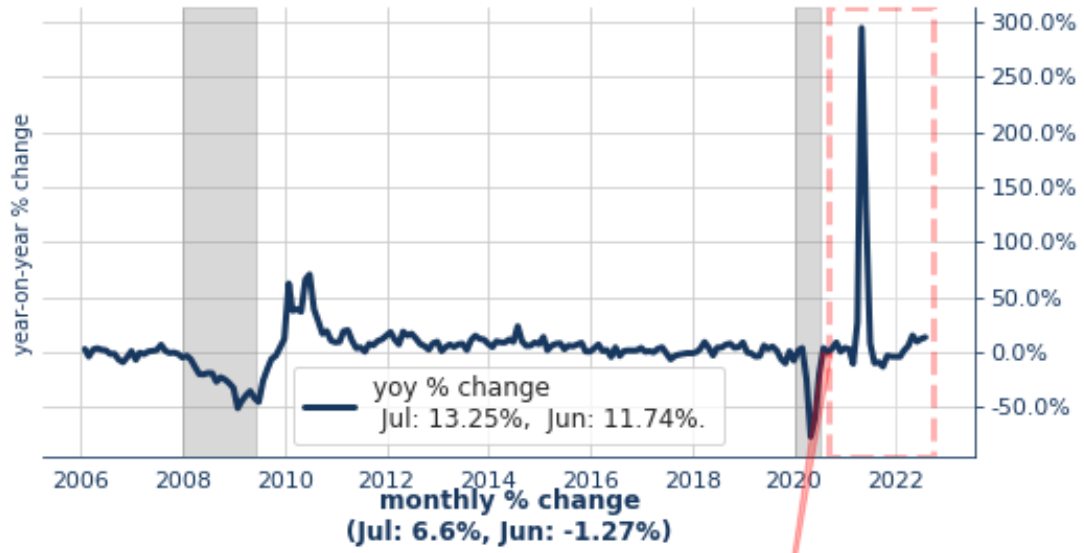
Contingent Macro Advisors 2022 source: Federal Reserve, Consensus from Bloomberg LP

Nondurable manufacturing

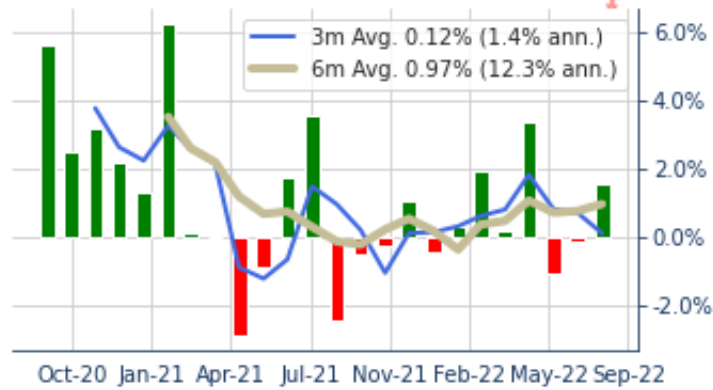


Contingent Macro Advisors 2022 source: Federal Reserve, Consensus from Bloomberg LP

Motor vehicles and parts

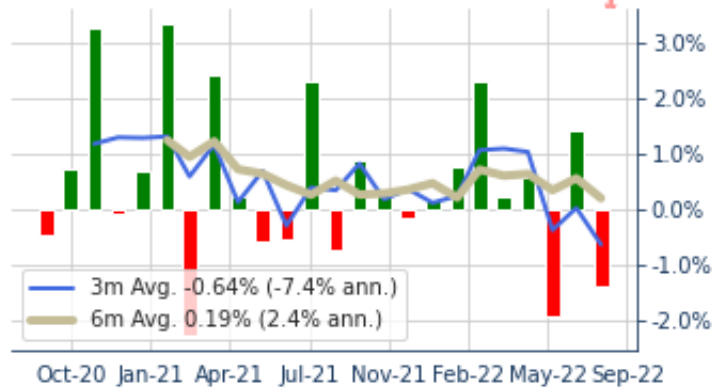


Aerospace and miscellaneous transportation equipment



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 vehic	-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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