

Economic Indicator — May 17, 2022

Industry Returning to Some Semblance of Normal

Summary

Industrial production increased 1.1% in April as the nation's factories, mines and energy producers together called more capacity into service than at any other time since the start of the pandemic. Supply chains are not fixed and could worsen in coming months and the labor market is still tight, but for now the industry is returning to some semblance of normal.

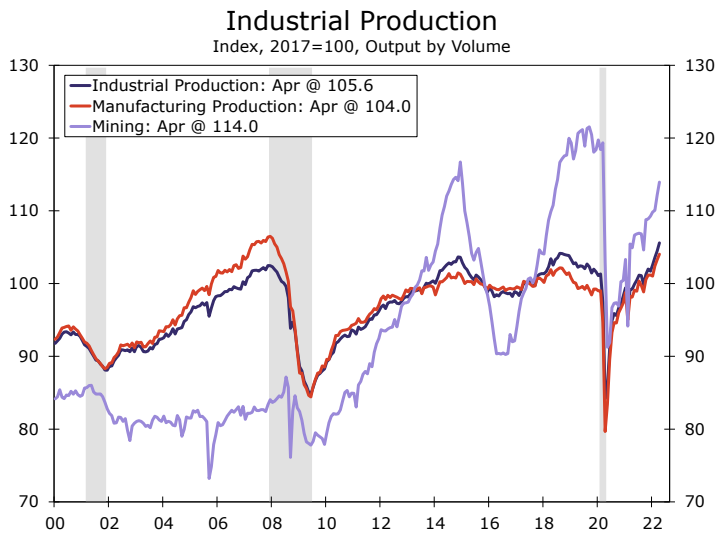
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Source: Federal Reserve Board and Wells Fargo Economics

Stout Gains Across Categories

Industrial production increased 1.1% in April as the nation's factories, mines and energy producers called more capacity into service than at any other time since the start of the pandemic. Supply chain issues, product shortages and difficulty finding labor are still key headwinds, but businesses are plodding ahead. In a rare event, every major category posted an increase in production in April; that was true whether broken out by industry group or market group.

Manufacturing, which comprises roughly three quarters of all output, rose 0.8% in April. There was a major lift from autos, which rose 3.9% and marked the second consecutive solid monthly increase as well as a solid gain of 1.1% from durables industries more broadly and a more modest 0.3% gain in non-durables industries. There were a few sub-industries posting scant declines in April, but on balance the gains were broadly based.

Outside of core manufacturing there are other signals that activity is finding its way back to some semblance of normal. Capacity utilization rose to 79.0%. That is the highest since the pandemic and just spitting distance from the 79.9% peak of the prior cycle. Utilities output was up 2.4% reflecting a 2.1% increase in electric and 4.4% jump in natural gas utilities. Mining output rose 1.6%, the seventh straight monthly gain.

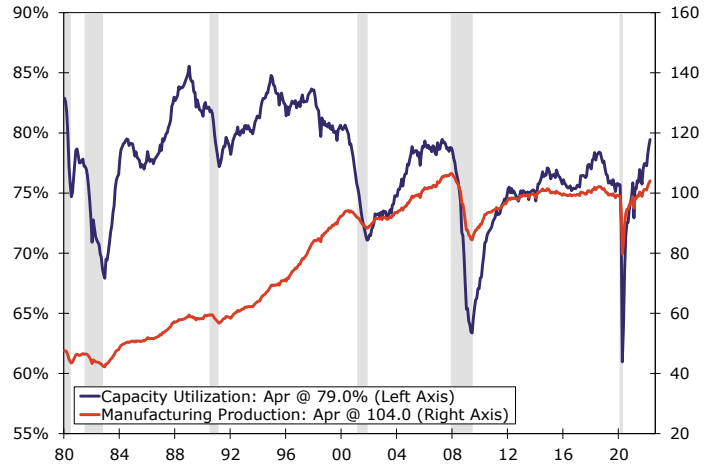
Little Sign of Production Slowdown

Inflation is a factor that must be considered in the industrial production estimates, which are reported in nominal dollars. The data do not perfectly line up with available deflators, but producer prices suggest price pressure remains turned up across the supply chain. Overall producer prices for final demand goods rose another 1.3% in April, and higher input costs may be boosting some of these production estimates.

Continued strength in production in the face of persistent supply issues is still encouraging and demonstrates increased activity amid an easing of some constraints. Our tracker of progress, the [Pressure Gauge](#), continues to demonstrate a slow easing in constraints. Price pressure remains elevated, but inventories have bottomed, unfilled orders are growing at a slower rate and delivery times, while still long by historic standards, have shortened. Supply issues continue to add upward pressure to inflation, and we will not see a meaningful easing in goods prices until supply moves more smoothly.

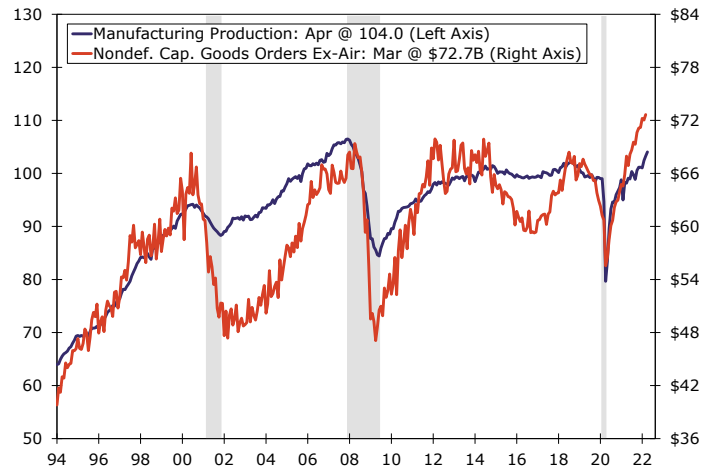
Despite growing concern over the slowing of the broader economy amid a tighter policy environment, capital spending remains intact. Demand has not yet showed many signs of slowing as consumers' demand for goods has held up and businesses still need to replenish depleted inventory levels. Sky-high labor costs may also motivate businesses to seek labor-saving technologies. Overall manufacturing continues to significantly lag growth in orders, and the need to meet order backlogs will keep production solid even if new demand falters.

Capacity Utilization vs. Industrial Production
For Manufacturing, Percent of Capacity, Index of Production



Source: Federal Reserve Board and Wells Fargo Economics

Manufacturing Production vs. Core Capital Spending
Index, 2017=100; Billions of Dollars



Source: Federal Reserve Board, U.S. Department of Commerce and Wells Fargo Economics

Pressure Gauge

| Indicator | Feb-20 | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb-21 | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb-22 | Mar | Apr | May | |
|-----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|---------|---------|---------|---------|---------|---------|---------|---------|--|
| Volume | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Unfilled Orders (a) | 9.0% | 6.2% | 2.6% | .6% | 1.1% | 4.6% | 5.6% | 7.4% | 9.4% | 10.7% | 10.3% | 11.2% | 12.6% | 15.3% | 16.2% | 15.6% | 14.1% | 12.4% | 11.6% | 9.1% | 7.8% | 6.0% | 4.5% | 4.4% | 3.9% | 4.5% | | | |
| Cass Freight Index (a) | -13.2% | 14.0% | -33.5% | -44.1% | -36.3% | 48.0% | 88.4% | 115.9% | 80.5% | 21.6% | -17.4% | -21.7% | -8.1% | 29.1% | 26.8% | 59.0% | 12.2% | -3% | -10.6% | -14.4% | 4.1% | -8.8% | 8.4% | -32.4% | -11.1% | -1.6% | | | |
| Taiwan Elect. Product Exports (a) | -38.1% | 14.7% | 56.6% | 41.7% | 14.7% | 39.7% | 120.9% | 87.0% | 96.2% | 3.3% | -9.4% | 10.2% | -47.1% | 23.5% | 6.6% | 133.2% | 35.6% | 39.3% | 73.1% | 70.5% | -2.4% | 20.0% | -7.5% | 41.6% | -4.8% | 58.1% | 37.1% | | |
| Real Goods Consumption (b) | 0.0% | -0.9% | -13.0% | -0.7% | 5.0% | 6.8% | 6.7% | 8.7% | 9.0% | 7.7% | 5.2% | 12.8% | 9.1% | 20.0% | 19.5% | 16.3% | 16.8% | 13.9% | 15.3% | 15.4% | 17.0% | 16.7% | 11.9% | 15.9% | 15.1% | 14.5% | | | |
| Time | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ISM Manuf. Supplier Deliveries | 57.3 | 65.0 | 76.0 | 68.0 | 56.9 | 55.8 | 58.2 | 59.0 | 60.5 | 61.7 | 67.7 | 68.2 | 72.0 | 76.6 | 75.0 | 78.8 | 75.1 | 72.5 | 69.5 | 73.4 | 75.6 | 72.2 | 64.9 | 64.6 | 66.1 | 65.4 | 67.2 | | |
| ISM Serv. Supplier Deliveries | 52.4 | 62.1 | 78.3 | 67.0 | 57.5 | 55.2 | 60.5 | 54.9 | 56.2 | 57.0 | 62.8 | 57.8 | 60.8 | 61.0 | 66.1 | 70.4 | 68.5 | 72.0 | 69.6 | 68.8 | 75.7 | 75.7 | 63.9 | 65.7 | 66.2 | 63.4 | 65.1 | | |
| Ships Awaiting Space LA & LB (c) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | 2.0 | 1.5 | 4.3 | 10.0 | 22.2 | 32.1 | 32.6 | 26.5 | 21.5 | 18.9 | 13.8 | 21.4 | 34.8 | 56.3 | 66.6 | 70.0 | 85.6 | 103.2 | 79.9 | 48.4 | 41.5 | 33.0 | |
| Price | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| World Container Index (WCI) | \$1,633 | \$1,520 | \$1,500 | \$1,549 | \$1,788 | \$2,009 | \$2,144 | \$2,541 | \$2,592 | \$2,806 | \$3,955 | \$5,263 | \$5,227 | \$4,991 | \$4,919 | \$5,898 | \$7,052 | \$8,879 | \$9,556 | \$10,237 | \$9,891 | \$9,180 | \$9,227 | \$9,518 | \$9,398 | \$8,783 | \$7,907 | \$7,693 | |
| PPI Transp. & Ware. of Goods (a) | 0.3% | -1.9% | -7.6% | -12.2% | -8.8% | 1.0% | 9.0% | 8.0% | 6.5% | 7.8% | 10.2% | 10.7% | 13.0% | 16.3% | 16.5% | 16.9% | 14.4% | 12.5% | 9.6% | 11.9% | 16.4% | 22.5% | 19.6% | 21.2% | 19.4% | 35.4% | 44.3% | | |
| Dry Van Rate Per Mile (a) | 7.6% | -16.0% | -28.6% | -49.7% | -16.5% | 52.6% | 352.8% | 315.4% | 191.1% | 112.6% | 48.8% | 12.2% | -25.4% | 10.5% | 12.6% | 52.0% | -8.4% | -8.6% | -0.2% | 41.8% | 64.5% | 57.1% | 54.4% | 91.6% | 70.1% | -7.2% | -56.2% | -66.7% | |
| Inventory | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Retail Inventory-to-Sales Ratio | 1.42 | 1.53 | 1.69 | 1.35 | 1.23 | 1.22 | 1.23 | 1.23 | 1.25 | 1.27 | 1.27 | 1.22 | 1.24 | 1.10 | 1.09 | 1.10 | 1.10 | 1.12 | 1.12 | 1.10 | 1.09 | 1.10 | 1.17 | 1.15 | 1.15 | 1.16 | | | |
| ISM Manuf. Cons. Inventories | 41.8 | 43.4 | 48.8 | 46.2 | 44.6 | 41.6 | 38.1 | 37.9 | 36.7 | 36.3 | 37.9 | 33.1 | 32.5 | 29.9 | 28.4 | 28.0 | 30.8 | 25.0 | 30.2 | 31.7 | 31.7 | 25.1 | 31.7 | 33.0 | 31.8 | 34.1 | 37.1 | | |
| Inventory Too Low (d) | -3.5% | -1.5% | -6.6% | -4.5% | 1.2% | 1.3% | 2.7% | 4.8% | 4.4% | 4.9% | 6.5% | 5.3% | 4.5% | 2.5% | 7.0% | 8.0% | 11.0% | 12.0% | 11.0% | 10.0% | 9.0% | 15.0% | 9.0% | 7.0% | 7.0% | 9.0% | 6.0% | | |
| Labor | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Production & Manuf. Posts (b) | 0.2% | 1.3% | -30.0% | -31.6% | -23.7% | -13.8% | -6.1% | 4.2% | 12.9% | 20.6% | 27.4% | 26.3% | 38.2% | 46.8% | 63.5% | 74.8% | 76.7% | 84.0% | 78.0% | 87.3% | 92.4% | 103.0% | 115.3% | 102.9% | 108.9% | 108.3% | 96.3% | | |
| Loading & Stocking Posts (b) | 1.4% | -0.4% | -32.5% | -32.7% | -17.6% | -0.8% | 4.6% | 12.3% | 28.2% | 38.8% | 39.0% | 26.3% | 38.9% | 46.4% | 61.7% | 72.7% | 76.6% | 90.2% | 72.0% | 82.4% | 92.4% | 106.5% | 114.9% | 92.9% | 97.5% | 93.9% | 80.7% | | |
| Jobs Hard to Fill (d) | 37.6% | 35.2% | 23.5% | 23.2% | 31.9% | 30.2% | 33.4% | 36.4% | 33.1% | 33.5% | 32.3% | 32.7% | 39.6% | 42.2% | 44.0% | 48.0% | 46.0% | 49.0% | 50.0% | 51.0% | 49.0% | 48.0% | 49.0% | 47.0% | 48.0% | 47.0% | 47.0% | | |

Notes: (a) 3-Month Annualized Rate, (b) versus February 2020, (c) Monthly Average, (d) Net % of Firms, Current Month Reflects Monthly Average of Available Data for All Series

Source: U.S. Department of Commerce, Bloomberg Finance L.P. Taiwan Ministry of Finance, Institute for Supply Management (ISM), Drewery, U.S. Department of Labor, National Federation of Independent Business (NFIB), Indeed.com and Wells Fargo Economics

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