

US manufacturing posts solid growth

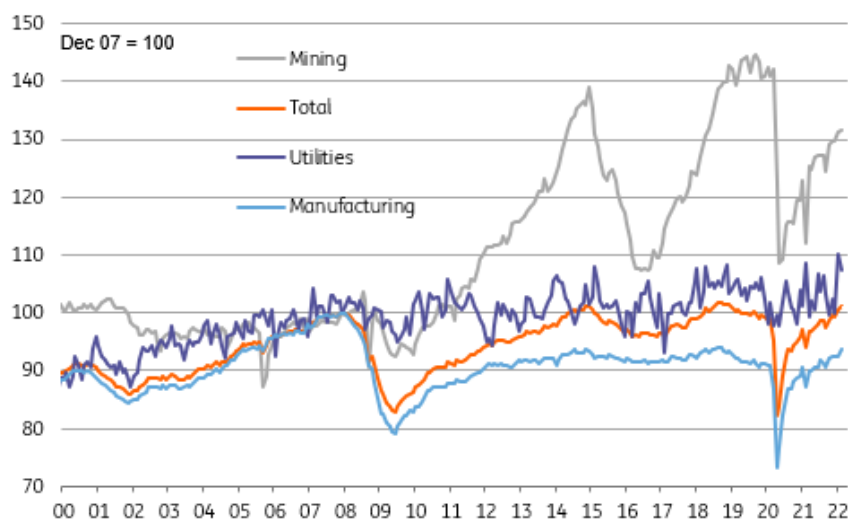
US manufacturing continues to perform well outside of the well-documented strains in the auto sector. Rising new orders and an increasing backlog of orders imply production will remain robust through the year while elevated oil and gas prices will stimulate more drilling and further boost industry's contribution to economic growth



Manufacturing output rose 1.2% month-on-month, ahead of the 1% consensus expectation

US industrial production rose 0.5% month-on-month in February, meeting expectations, but within the details a slightly stronger story emerges. Manufacturing output rose 1.2% month-on-month, ahead of the 1% consensus expectation, while oil and gas drilling was up 3.4% month-on-month in response to higher prices. Mining output overall was up 0.1%, but utilities output fell 2.7% due to more seasonal weather after a very cold January that prompted a 10.4% surge in demand as people tried to keep warm.

US industrial output levels by component



Source: Macrobond, ING

Stripping out the weather-related drop in utilities, this is a very solid report with broad-based strength. The one area of weakness was motor vehicles, where the supply chain strains focused on chip shortages are well documented. Output for vehicles and parts fell for a third consecutive month with year-on-year output at 0%. Excluding vehicles, US manufacturing was up 1.5% month-on-month, 7.9% year-on-year.

After another large monthly increase, oil and gas drilling is up 47.4% year-on-year, and given the spike in prices and renewed government enthusiasm for exploration, this component is likely to remain an important contributor in the months ahead. This will certainly be the case for March, with Baker Hughes numbers on US oil and gas rig count at 663 in mid-March versus 588 at the start of the year.

Overall, the US economy has clearly brushed off the effects of Omicron with consumers re-engaging and US industry performing strongly. Given the Federal Reserve's bolder, more assertive stance with regards to normalising monetary policy, the odds of a 50bp rate hike in May will continue to build – although geopolitics underscores the Fed's need to be “nimble”.

Author

James Knightley

Chief International Economist

james.knightley@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING

does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.