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Article

US manufacturing and construction boost the case for a strong 2022

Both the manufacturing and construction sectors of the United States are ending 2021 in a good position with strong output and healthy-looking order books. This should provide a decent platform for growth in 2022 even if the latest wave of the pandemic is likely to lead to a more cautious household sector



Manufacturing in the States is booming. Pictured: A Hummer electric vehicle at a General Motors factory in Detroit

Content

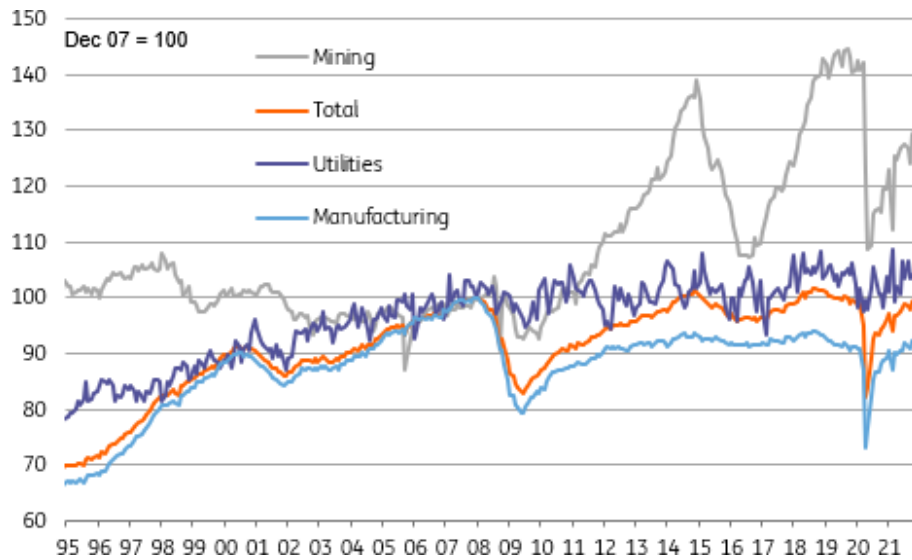
- Manufacturing momentum continues
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Manufacturing momentum continues

It is a strong end to 2021 for the goods-producing sectors of the US economy. Manufacturing output rose 0.7%MoM in November, in line with expectations, while October's growth was revised up to +1.4%MoM from +1.2%. Significantly, vehicle output posted a second consecutive rise – a +2.2%MoM gain after a 10.1% jump in October, which suggests some easing of supply chain strains. Ex-autos, output was still up 0.6%MoM after a 0.8% increase in October.

Industrial production levels by sector

Dec 2007 = 100



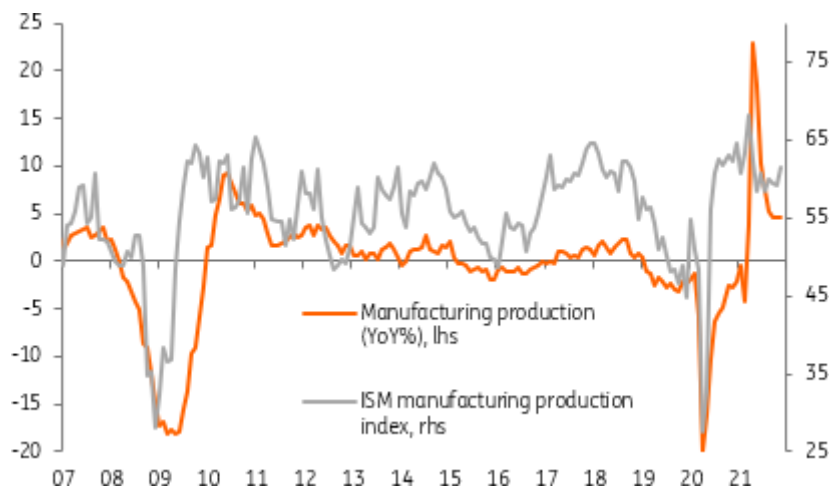
Source: Macrobond, ING

A positive outlook for 2022

Mining rose 0.7% given the increase in oil and gas rig counts following the spike in prices, but utilities fell 0.8%MoM, presumably on milder weather nationally reducing the need for heating. In aggregate, industrial production rose 0.5%MoM after a 1.7% increase in October.

Manufacturing output is now up 1.7% on December 2019 levels, but it remains 7.3% below its December 2007 all-time peak given the intense global competition the US continues to face. Nonetheless, with the ISM reports continuing to point to strong growth and the regional manufacturing surveys also offering encouragement with healthy order books we are hopeful that the sector can continue eating into this deficit through 2022.

ISM survey points to ongoing output growth

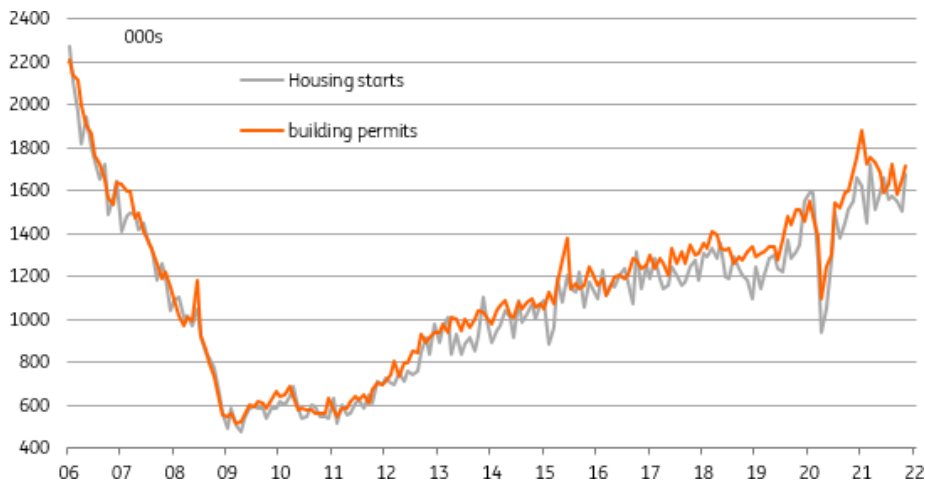


Source: Macrobond, ING

Housing construction ends 2021 on a high

There were also some very strong housing starts data, which showed activity rising 11.8%MoM with building permits rising 3.6% versus consensus forecasts of 3.1% and 0.5%, respectively. It has been a strong end to the year for the construction sector after a softish first half to 2021. Mortgage applications for home purchases are trending higher and there seem to be plenty of cash buyers out there and this pipeline of demand should keep construction in decent shape for 1Q 2022 at the very least.

Housing starts and building permits



Source: Macrobond, ING

As such, while we are cautious that a potential surge in Omicron cases could lead to more consumer caution and softer spending growth on leisure and entertainment in early 2022, this can at least be partially offset by decent construction and production numbers.

James Knightley

Chief International Economist

+1 646 424 8618

james.knightley@ing.com

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