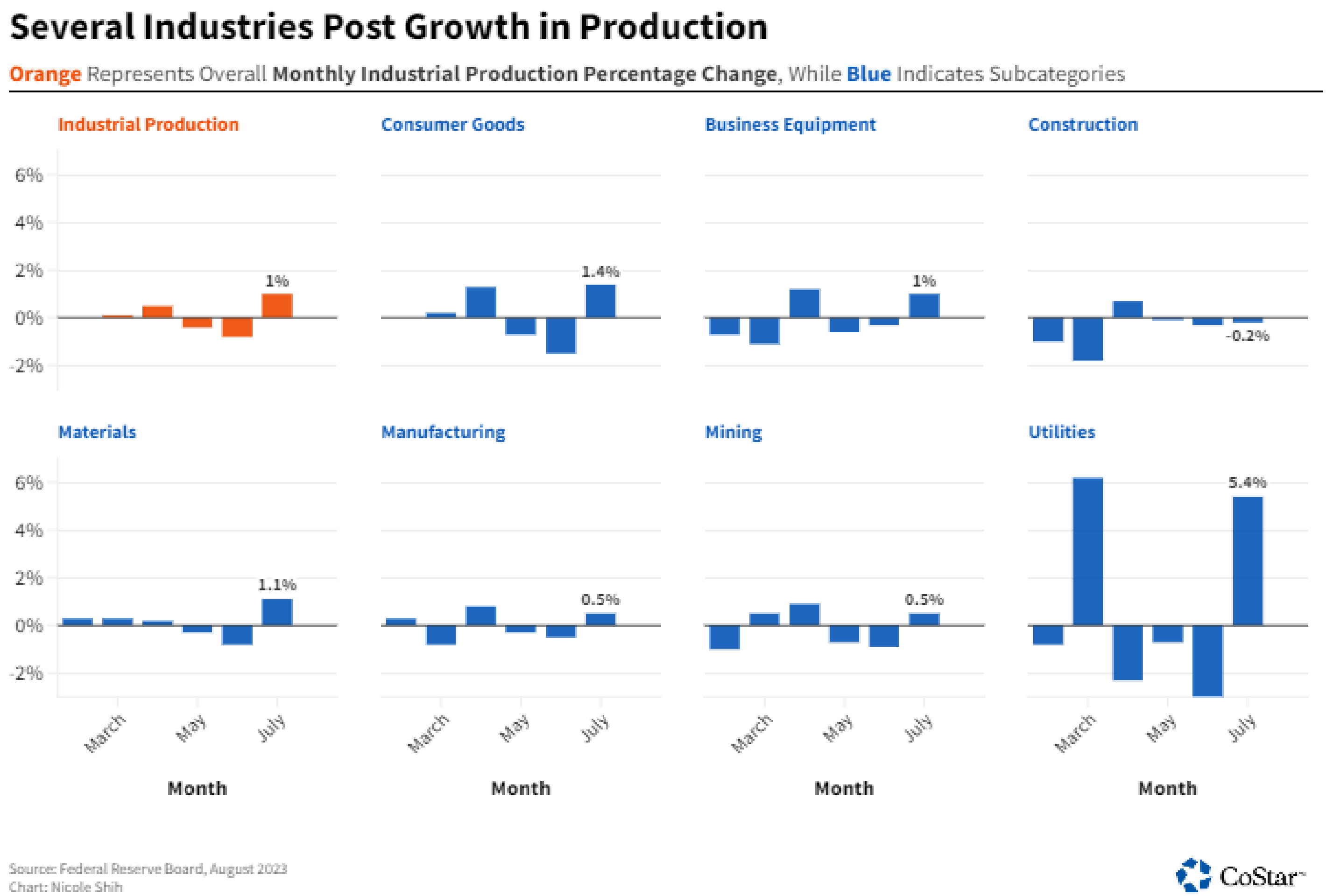
US Industrial Production Rebounds

Several Categories Post Growth in Manufacturing Output As Supply Chain Disruptions Ease



By Lou Hirsh and Nicole Shih

U.S. industrial production increased by 1% in July from a month earlier after two consecutive quarters of decline as more manufacturing categories rebound from pandemic-sparked supply chain disruptions.

While overall manufacturing output decreased 0.7% from a year earlier, the latest Federal Reserve data shows production of motor vehicles and parts jumped 5.2% in July, with utilities-related production up 5.4% as high July temperatures raised demand for cooling-related equipment. Mining-related production rose 0.5% for the month, with industrial machinery output up 1.3% and computer and electronics rising 1%.

Categories that dropped in July include electrical equipment and appliances at 1.7% and both primary metals and furniture at 1.2%. However, Fed researchers said U.S. factory capacity utilization increased to 79.3% in July, just 0.4% below the average of the past 50 years, after several months of flat or declining capacity usage.

Manufacturing companies are among the largest users of industrial real estate, and several industries experienced production slowdowns and price hikes as key components became tough to find amid global port disruptions in the first two years of the pandemic, especially in Asia.

The auto industry was particularly hard hit, as manufacturers could not obtain key parts such as computer chips and electric vehicle batteries. Production setbacks for new vehicles caused a significant spike in customer prices for used cars and trucks.

“Lingering supply chain constraints are expected to loosen by the end of this year,” said Oren Klachkin, lead U.S. economist for research firm Oxford Economics, in an August 15 report. Klachkin said supply chains “are in a much healthier position today” compared with the early months of the pandemic, with industry stress factors moving toward pre-pandemic levels in areas such as transportation flow and supply costs.