

DAVE HAGLUND



# THE YEAR OF SLOW GROWTH

Indicators in several markets show 2022 will be a year of slower growth compared to the previous year. Monthly rate-of-change in the U.S. and European industrial sectors are showing signs of slowing growth.

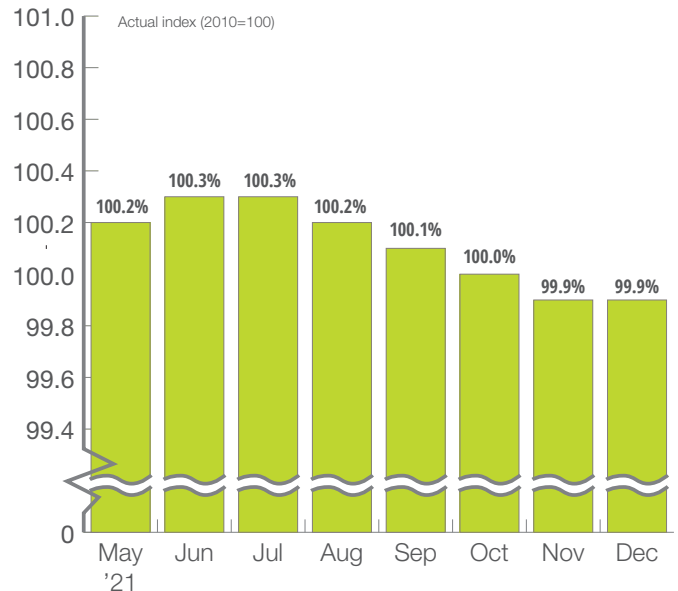
Residential construction growth will decline as well, which will impact new orders of construction equipment. Agricultural equipment sales in the U.S. and Europe are also slowing due to changing economic conditions and supply chains. |



### U.S. Leading Indicator:

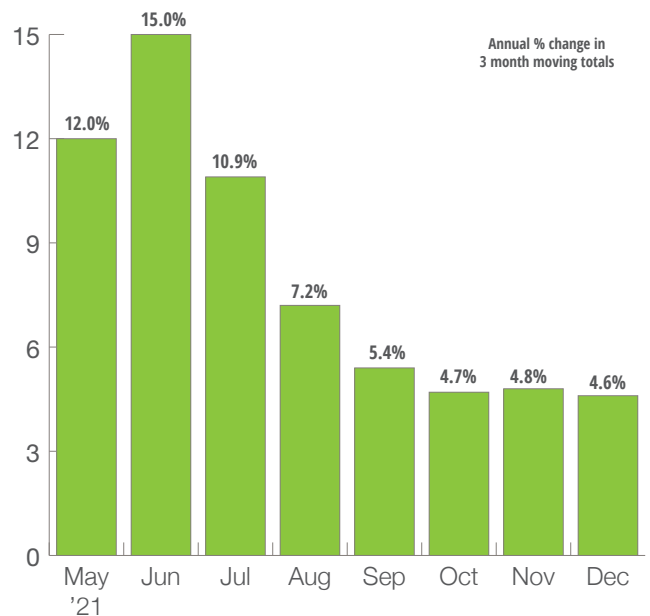
- The U.S. OECD Leading Indicator monthly value has been relatively flat in recent months.
- The monthly rate-of-change suggests slowing growth for the U.S. industrial sector next year.

**Editor's Note:** Please note that this chart has been modified on the Y-axis to show the trend more easily.



### U.S. Industrial Production:

- US Industrial Production in the fourth quarter of 2021 was 4.6% above the fourth quarter of 2020. The quarterly growth rate declined during the latter half of 2021, and further decline in the growth rate is likely in the coming quarters.
- The strong financial health of businesses and consumers suggests further rise, albeit at a lower rate, for the industrial sector in the quarters to come.

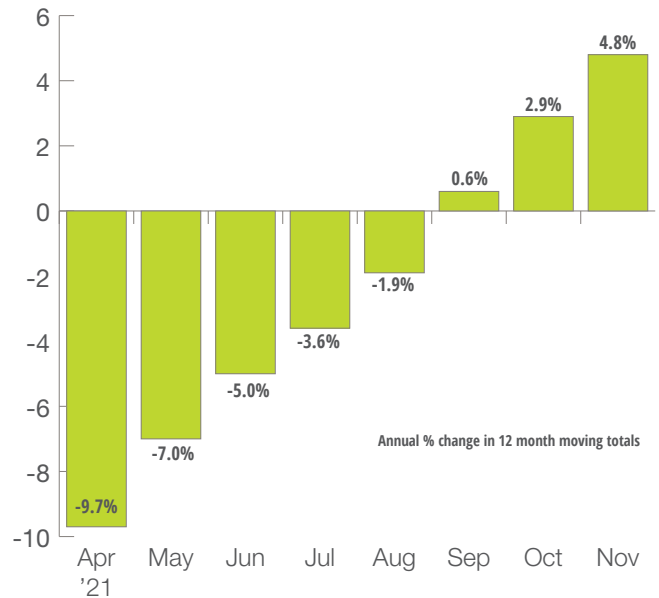






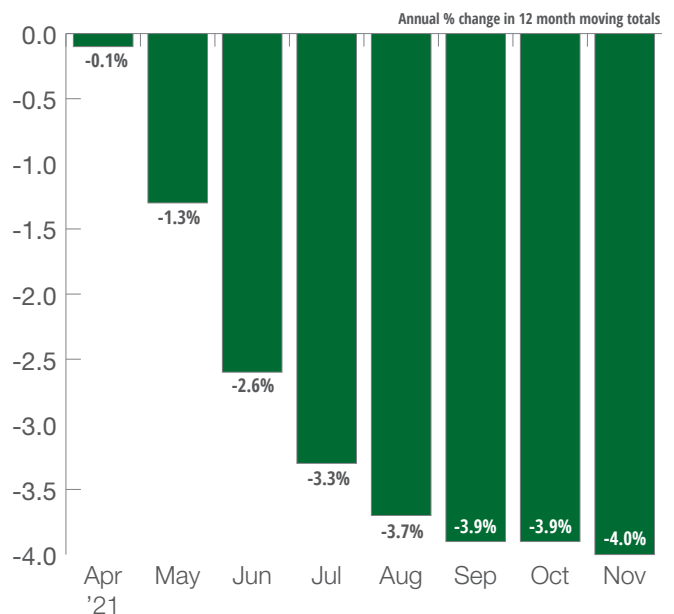
### U.S. Private Nonresidential New Construction:

- US Private Nonresidential Construction in the three months through November were 4.8% above the same period one year ago.
- Expected Construction growth in 2022 will be due to both increasing volume and rising price levels.



### U.S. Total Public New Construction:

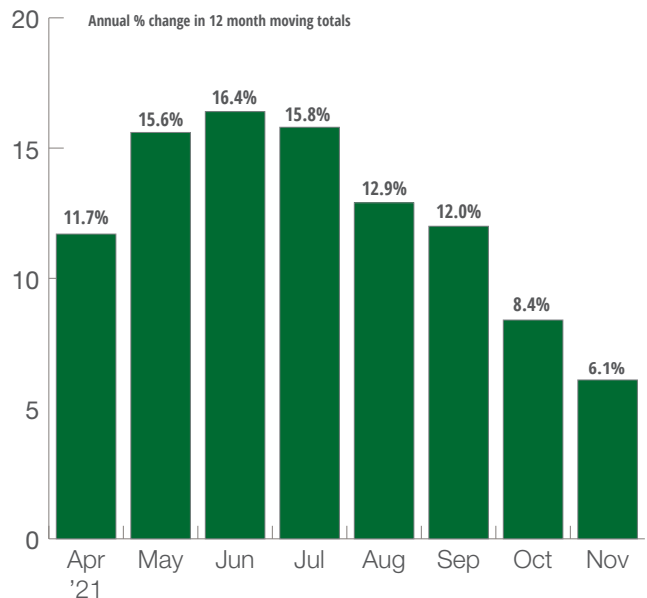
- Annual US Total Public New Construction ticked up mildly in November but was 4.0% below the year-ago level.
- Annual State and Local Construction was down 2.6% from one year ago, while Federal Construction was down 19.2%. Expect more opportunities on the state and local level in the near term.





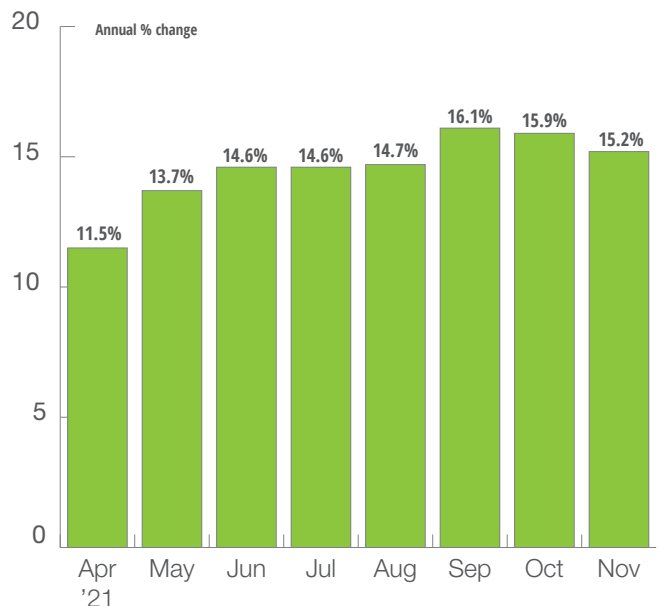
### U.S. Farm Machinery Production:

- Annual US Farm Machinery and Equipment Shipments declined in November. Annual Shipments are down 3.2% from a July 2021 tentative peak but are 6.1% higher than one year prior.
- Material and labor shortages are contributing to lower Shipments.



### Europe Ag & Forestry Machinery Production:

- Annual Europe Agricultural and Forestry Machinery Production in November was 15.2% above the year-ago level.
- Production growth will likely continue to slow in the coming quarters as the overall European economy cools in its pace of rise.

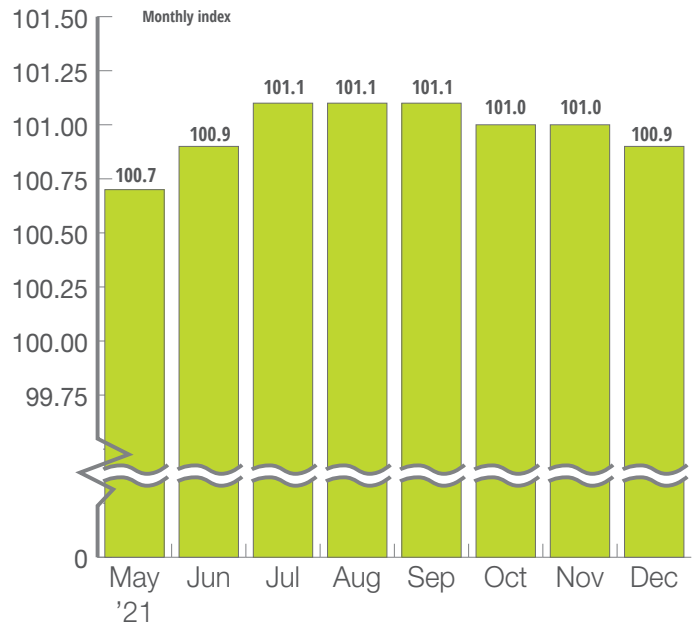




### Europe Leading Indicator:

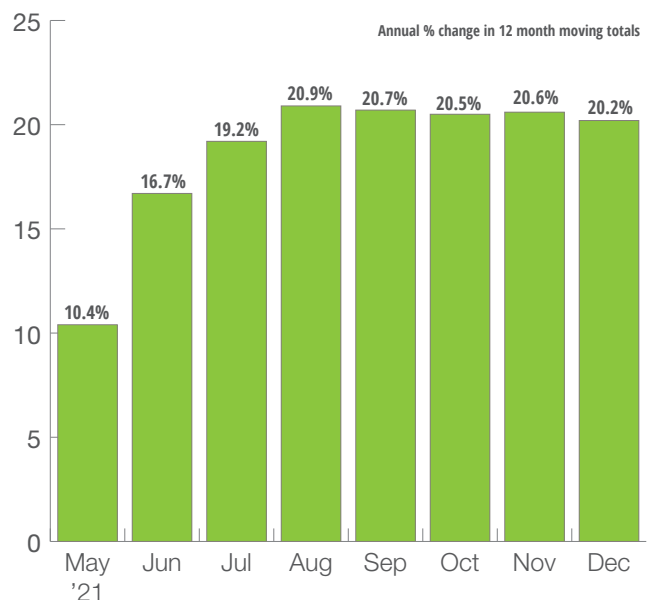
- The Europe Leading Indicator ticked down slightly in December.
- The Europe Industrial Production annual growth rate ticked down from 8.2% to 8.1% with November 2021 data. The Leading Indicator monthly rate-of-change suggests near-term business cycle decline for the industrial sector and that the recent tick-down may be the start of a slowing growth trend.

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### U.S. Heavy-Duty Truck Production:

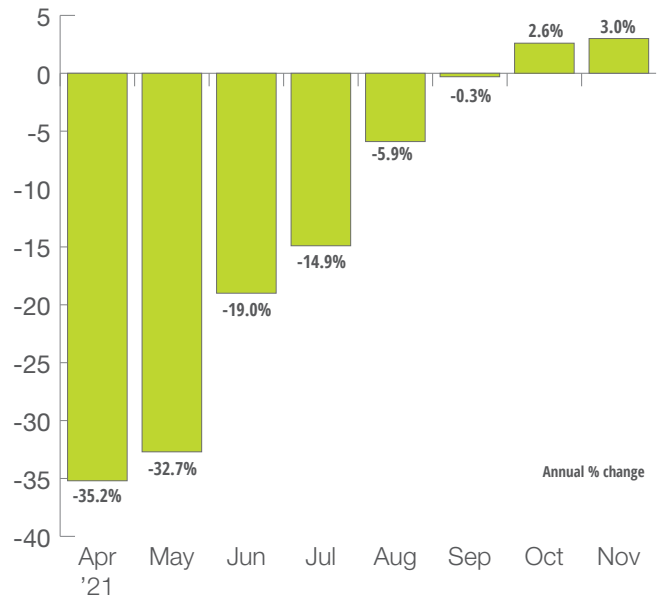
- 2021 Production came in 20.2% above 2020. The annual growth rate is moving gradually lower from a tentative August 2021 peak of 20.9%.
- Demand for new heavy-duty trucks will likely result in higher levels of Production in the coming quarters, so long as Production is not held back by parts or labor shortages.





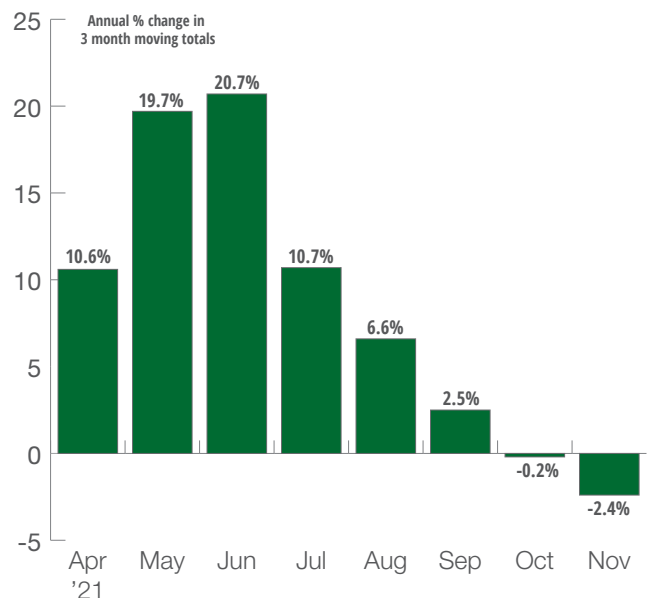
### China Diesel Bus Production:

- China Large Diesel Bus Production in the 12 months through November totaled 21,829 units, up 3.0% from the year-ago level. Annual Production recently entered an accelerating growth trend but is still down considerably from the December 2019 peak of 31,909 units.
- Slowing growth in China Industrial Production signals that the current accelerating growth trend in Large Diesel Bus Production may be short-lived.



### Germany Industrial Production:

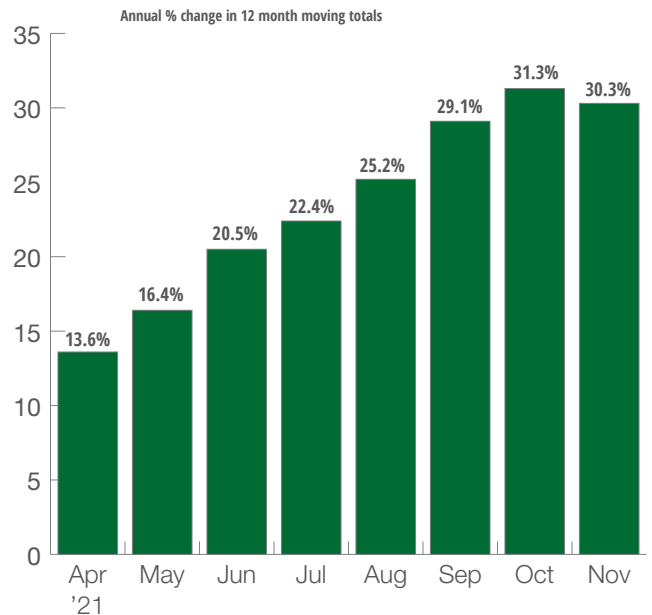
- Germany Industrial Production in the three months through November was down 2.4% from the same period in 2020.
- The automobile industry – a major industry for Germany – is grappling with semiconductor shortages, adversely affecting Production.





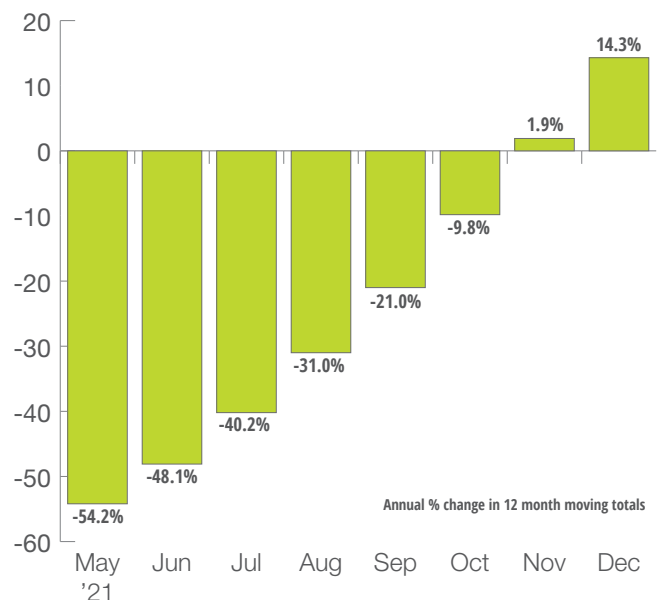
### U.S. Construction Machinery, New Orders:

- US Construction Machinery New Orders in the 12 months through November were 30.3% above the same period last year.
- Residential construction growth will continue to slow through 2022. This will affect demand for New Orders; therefore, New Orders are likely to remain in a slowing growth trend throughout this year.



### North American Rotary Rig Count:

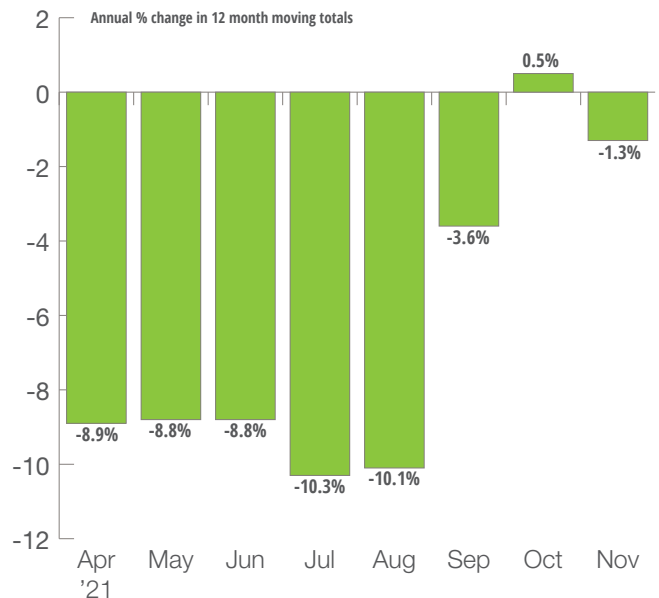
- The North American Rotary Rig Count averaged 619 in 2021, 14.3% above the 2020 average.
- Relative to December 2020, the US was up 240 rigs in December 2021, Canada was up 50, and Mexico was up 6.





### U.S. Defense Industry, New Orders:

- U.S. Defense Capital Goods New Orders during the 12 months through July totaled \$136.6 billion, down 10.3% from 1 year ago.
- The House Armed Services Committee voted to raise the proposed defense budget by \$25 billion for the 2022 fiscal year, which begins in October. If passed, a large portion of the additional funding would be dedicated to the purchase of aircraft, combat vehicles, and ships, benefiting New Orders.



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