



US AND EUROPEAN LEADING INDICATORS DECLINE IN JULY

Leading indicators decrease but farm machinery shipments increased in June and heavy-duty truck production in July was 6.9% higher than one year prior.

Even with decreasing fuel prices, economic indicator declines continue. Both the U.S. and European leading indicators lowered in July 2022.

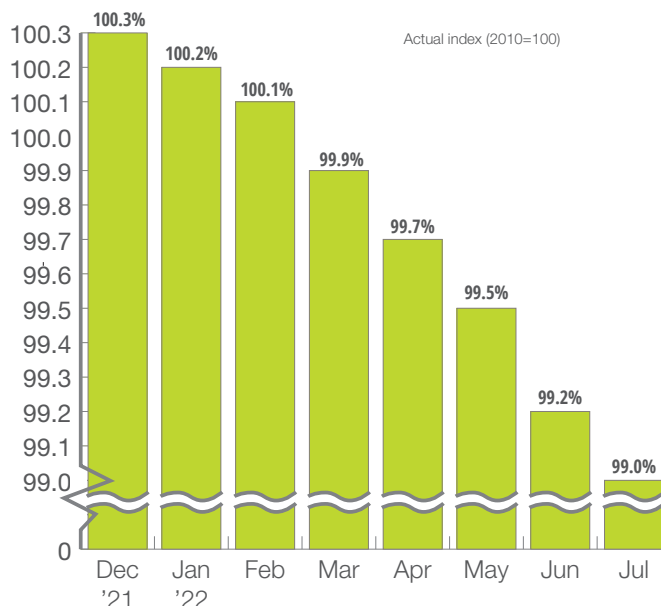
The U.S. decline matches what other indicators are signaling: waning business in the industrial sector. In contrast, annual U.S. farm machinery and equipment shipments moved higher in June, and U.S. heavy-duty truck production in July was 6.9% higher than one year prior. |



US Leading Indicator

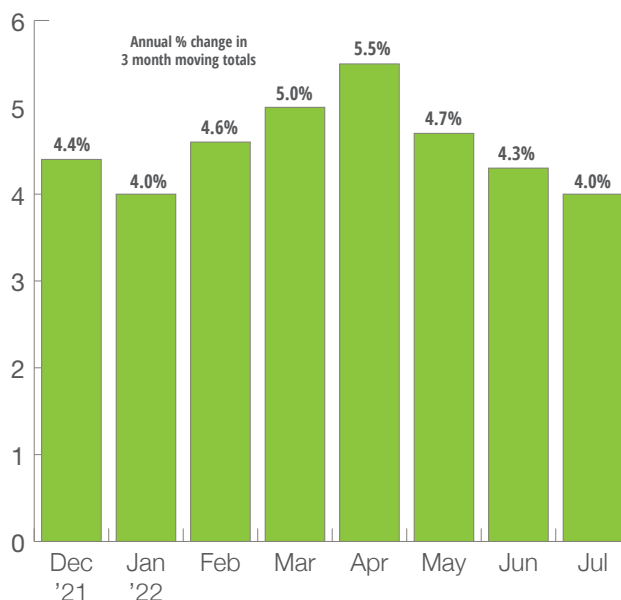
- The U.S. OECD leading indicator raw data and monthly rate-of-change both declined in July.
- The indicator monthly rate-of-change signals waning business cycle momentum for the U.S. industrial sector into at least early 2023. This aligns with what other U.S. leading indicators are signaling.

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



US Industrial Production

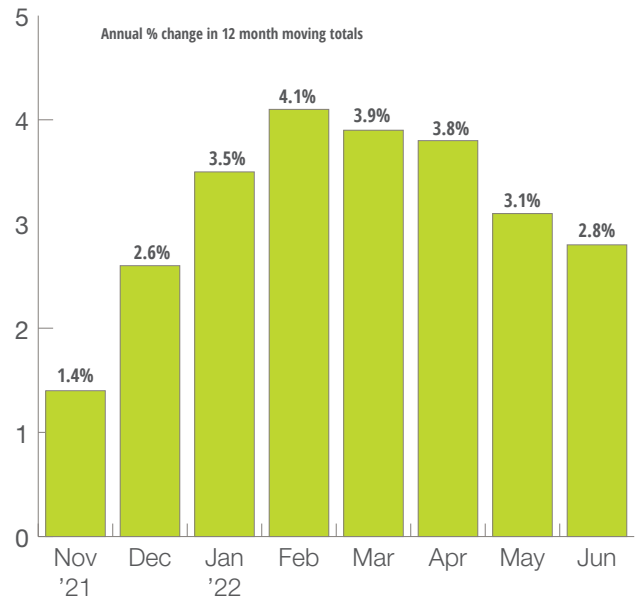
- Industrial production in the three months through July was up 4.0% from the same period last year.
- A myriad of leading indicators, including the ITR Leading Indicator and the U.S. ISM Purchasing Managers Index, point to further growth-rate decline ahead for the industrial sector.





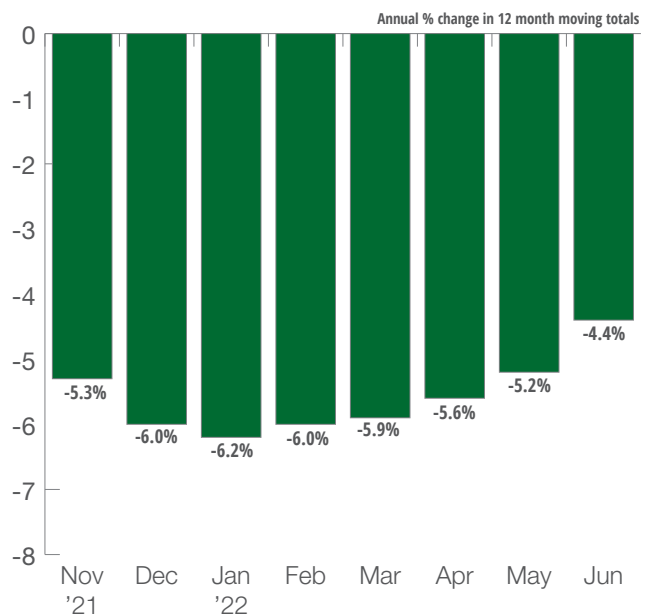
US Private Nonresidential New Construction

- U.S. private nonresidential construction totaled \$125.3 billion in the second quarter, 2.8% higher than the second quarter of 2021.
- Nonresidential construction typically lags the macroeconomy. The strong macroeconomy of 2021 will likely translate to accelerating growth in Construction through at least 2022. Rising interest rates and a shortage of workers could dampen rise.



US Total Public New Construction

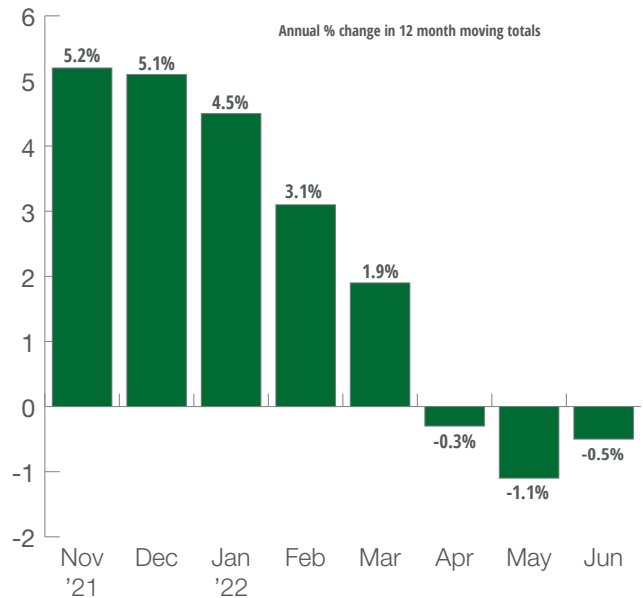
- Annual U.S. total public construction ticked up in June but was 4.4% below the year-ago level. The quarterly rate-of-change is rising, suggesting further upward momentum ahead.
- U.S. architectural, engineering, and related services revenue trends suggest cyclical rise for total public construction ahead.





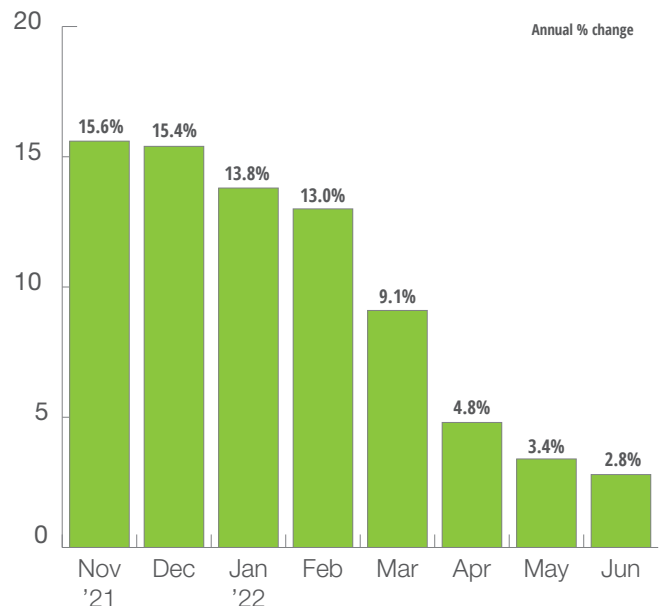
US Farm Machinery Production

- Annual U.S. farm machinery and equipment shipments moved higher in June but were 0.5% lower than one year ago. Shipments are shifting to a cyclical rising trend.
- The global supply chain pressure index is elevated but moving lower. As supply chain issues resolve amidst a cooling economy, equipment order fill rates should increase and facilitate growth in shipments.



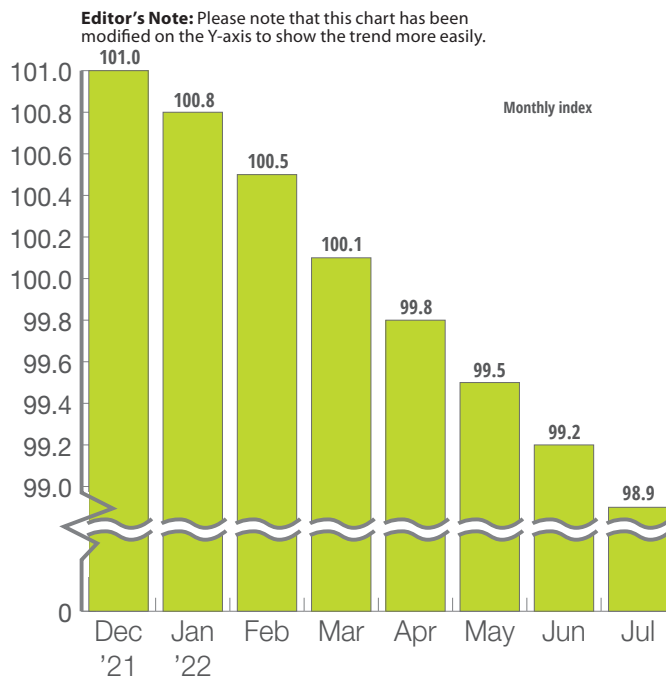
Europe Ag & Forestry Machinery Production

- Annual Europe agricultural and forestry machinery production came in 2.8% above the year-ago level in June.
- EU food consumer price inflation increased to 11.9% in June and is higher than overall EU consumer price inflation. The need to expand food production bodes well for demand for agriculture machinery. However, macroeconomic softening could put downward pressure on agricultural and forestry machinery production.



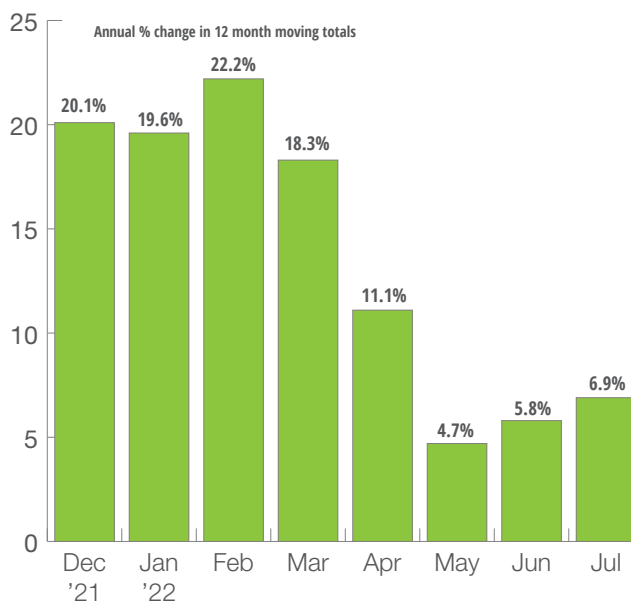
€ Europe Leading Indicator

- The Europe leading indicator declined in July.
- The Europe Industrial Production annual growth rate was at 2.4% in July and has been on a downward trajectory. Trends in the Leading Indicator monthly rate-of-change signal further growth-rate decline for Production into at least mid- 2023.



US Heavy-Duty Truck Production

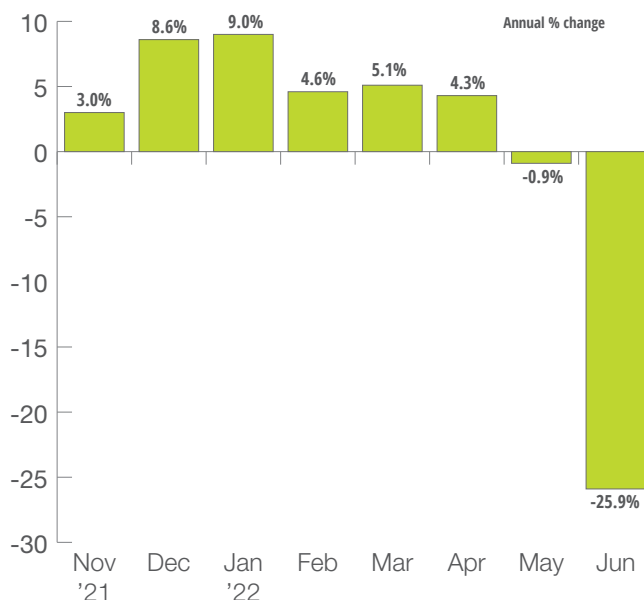
- Annual U.S. heavy-duty truck production in July was 6.9% higher than one year prior.
- A healthy backlog of demand for new trucks will help buoy production on the back side of the business cycle.





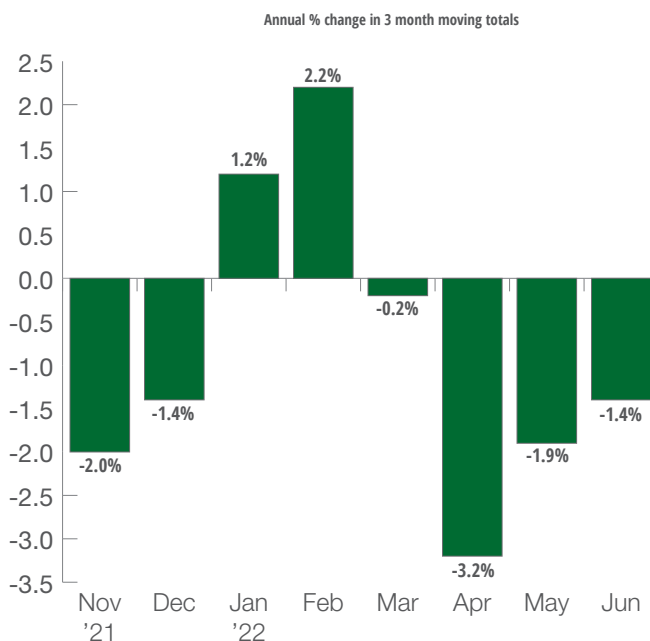
China Diesel Bus Production

- China large diesel bus production totaled 16.1 thousand units in the 12 months through June, a record low in the history of the dataset, available since 2005. This represents a 25.9% decline from one year prior.
- ITR Checking Points suggest the production annual growth rate will continue to decline in at least the near term. China's lockdowns remain a factor.



Germany Industrial Production

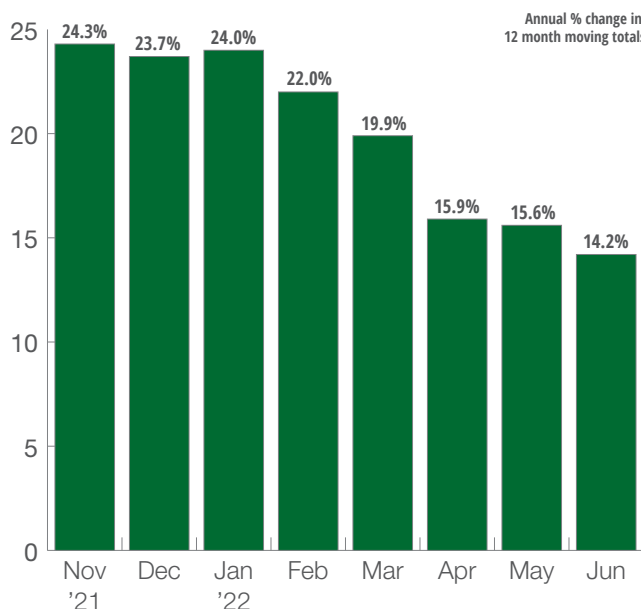
- Germany industrial production in the second quarter was 1.4% lower than in the second quarter of 2021.
- The Eurozone composite purchasing managers index continues to be in a cyclical declining trend. Given typical lead times, the Index suggests Production will also be in cyclical decline through at least early 2023.





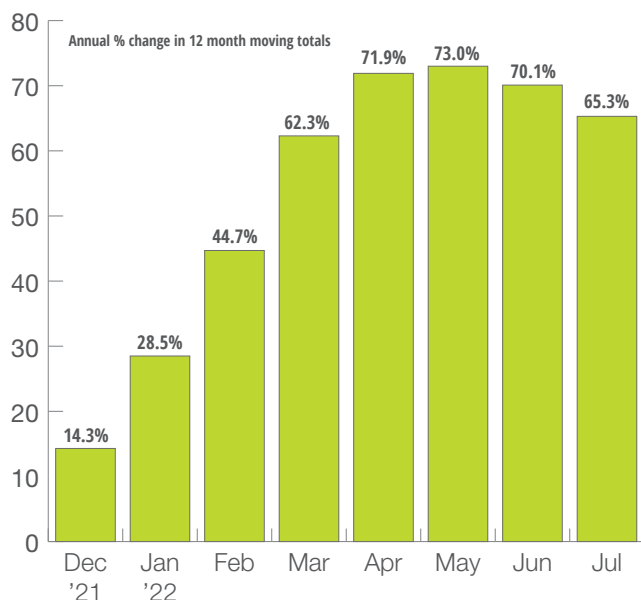
US Construction Machinery, New Orders

- The U.S. construction machinery new orders annual growth rate declined to 14.2% in July.
- Monthly new and existing home sales are declining and down by double-digit rates from one year prior, demonstrating softness in the housing market. The cooling housing market will likely negatively impact demand for construction machinery.



North American Rotary Rig Count

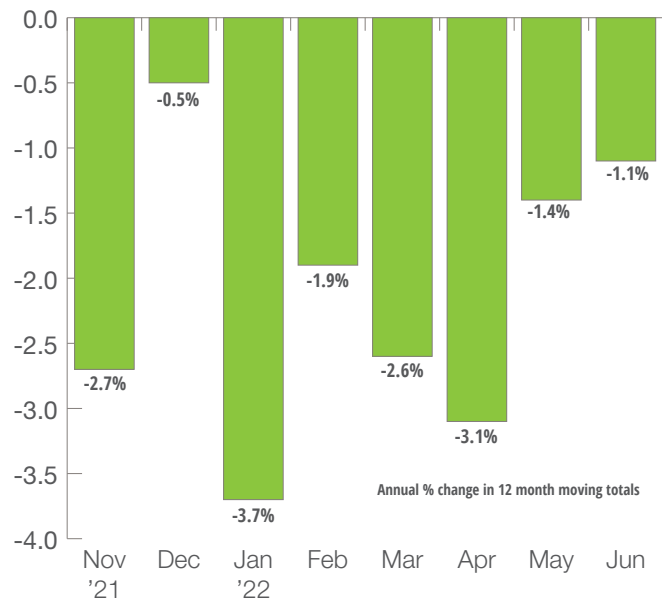
- The annual North America rotary rig count in July averaged 797 rigs, 65.3% above the year-ago level. The rig count is in a tentative slowing growth trend.
- Oil prices remain volatile, which could make investors more hesitant and may further slow growth for the rig count. The current regulatory environment may also contribute to producers' hesitancy.





US Defense Industry, New Orders

- U.S. defense capital goods new orders in the 12 months through June totaled \$157.1 billion, 1.1% lower than the same period last year. The annual rate-of-change, while still negative, has been generally rising since February.
- Previous trends in U.S. total federal revenue suggest rate-of-change rise for new orders through the end of this year.



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