

Industrial Growth Revival on Horizon

With international inflation pressures in a decisive downturn, deflation and disinflation are propagating through supply chains.

Improving Industrials A nascent revival in global industrial growth is now on the horizon. Those early tidings come from ECRI’s high frequency leading indexes, which are moving off their extreme lows.

Specifically, growth in the daily Industrial Price Index (IPI) bottomed out five weeks ago, and recently hit a ten-week high (not shown). This development is underscored by the near-simultaneous upticks in the exchange-traded and non-exchange-traded IPI growth rates.

Please recall that a unique feature of our IPI “is that about half of its components are exchange-traded, while the rest are not, making the overall IPI less susceptible to speculative forces. Unlike the exchange-traded IPI, which is naturally subject to speculative forces, its non-exchange-traded counterpart is relatively immune to them.” While normally moving in tandem, if “they diverge ... the non-exchange traded IPI can provide the surer guidance” (*USCO Essentials, January 2020*).

Exchange-traded IPI growth has now surged 32½ percentage points over the last five weeks to an 11-week high, “converging with non-exchange-traded IPI growth” (*IPI Supplement, May 26, 2020*), which has climbed 12½ percentage points since late April to a nine-week high (Chart 1, upper panel). Although still in negative territory, they are corroborating each other’s advances, indicating that IPI growth is now in a nascent cyclical upturn.

Even as the Covid crisis has accelerated global structural changes on multiple fronts to warp speed — compressing many years of change into months — the world’s economies must also navigate swiftly shifting cyclical shoals.

Chart 1: Industrial Price Index Growth and Manufacturing PMIs

