

Macro Roundup Article

Headline: Will Foreign Manufacturing Strength Boost US Growth and Inflation?

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Tweet: US manufacturing output is growing 5.7% y/y, aided by reduced inventory drawdowns, easing global financial conditions, and increased national defense spending. @GoldmanSachs

Summary: US manufacturing output is currently rising at a fairly strong pace of 5.7% year-on-year, whereas the level of foreign factory output has picked up only marginally—up +0.3% year-on-year in Q1—after stagnating in 2022 and 2023. The nascent rebound has multiple causes, including a waning drag from inventory drawdowns after they became bloated in 2022 in a hangover from the pandemic goods demand boom. Inventory ratios are nearly back to normal in the US and they have partially normalized in East Asia where the consumer goods and technology inventory overhang was particularly severe. The easing in financial conditions over the last 6 months has also supported factory activity and consumer demand (Global FCI ex-Russia -0.65pt from the peak). Rising national defense budgets and the related increase in arms and ammunition production and exports are also boosting industrial demand in some industries and countries.

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Primary Topic: Business Cycle

Topics: Business Cycle, GDP, Investment, Op-Ed/Blog Post, Productivity, Security

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