

MHI BUSINESS ACTIVITY INDEX

BY **PRESTIGE ECONOMICS**[®]

The world's leading financial market research firm



DECEMBER 2024

Release Date: January 6, 2025

The MHI Business Activity Index (BAI) captures monthly changes in material handling business dynamics. Series readings above 50 indicate a majority of respondents reported increased monthly activity, while readings below 50 indicate a majority of respondents reported decreased activity.

The December 2024 MHI BAI was mixed following strong October and November reports. There were December contractions in Capacity Utilization, Shipments, Unfilled Orders, Inventories, and Exports. On the upside, there were expansions in Business Activity, New Orders, and Future New Orders. High interest rates and a strong dollar have been holding back material handling activity. Fortunately, interest rates have started falling and are likely to fall further through the end of 2026, according to recent Fed member forecasts. A drop in interest rates and a likely accompanying drop in the dollar are likely to support material handling and manufacturing.

Hiring ease was strong this month, as a record high 81% of respondents reported hiring in December was “easier” than in November. The three-month and six-month averages also rose to record highs, with the three-month average at 77% and the six-month average at 74%. Improved ease of hiring will be important as New Orders likely rise in the year ahead.

This month’s qualitative responses were also somewhat mixed. There were multiple positive references that included lower interest rates, the clear outcome of the election, and improved abilities to retain workers. On the downside, there were multiple references to tariffs.

Material Handling Industry Business Activity



	December 2024	November 2024	% Point Change	Growth Indication	Rate of Change	Trend in Months
MHI Business Activity Index	52	70	-18	Expansion	Deceleration	4
Capacity Utilization	37	67	-30	Contraction	From Expansion	1
New Orders	67	65	+2	Expansion	Acceleration	3
Shipments	48	55	-7	Contraction	From Expansion	1
Unfilled Orders	48	60	-12	Contraction	From Expansion	1
Inventories	41	27	+14	Contraction	Deceleration	15
Exports	30	33	-3	Contraction	Acceleration	6
Future New Orders	90	95	-5	Expansion	Deceleration	30



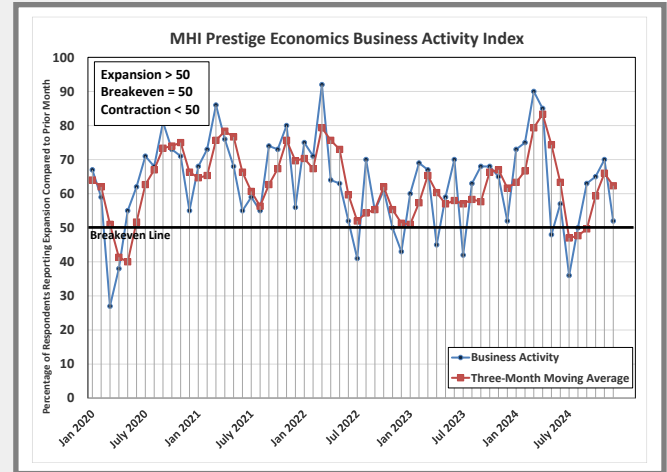
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BUSINESS ACTIVITY INDEX

Material Handling Business Activity rose in December, with 52% of respondents noting expansions but 48% noting contractions. Data throughout this month's report were mixed, which is also reflected in this month's Business Activity Index reading.

In December, the three-month average for Business Activity was 62%, while the six-month average was 56%.

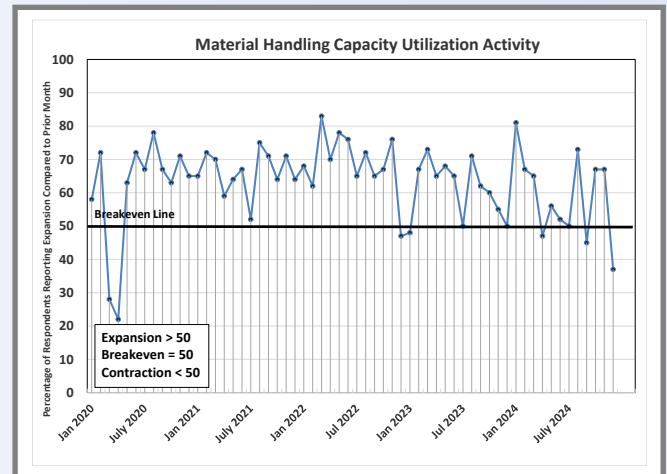


CAPACITY UTILIZATION

Capacity Utilization contracted in December, as 37% of respondents noted monthly expansions and 63% noted contractions.

Utilization has been persistently strong, with a majority of respondents noting Capacity Utilization contractions in only 13 of the last 113 months.

Data collection related to Capacity Utilization allows respondents to opt-out of this question if it is not relevant.

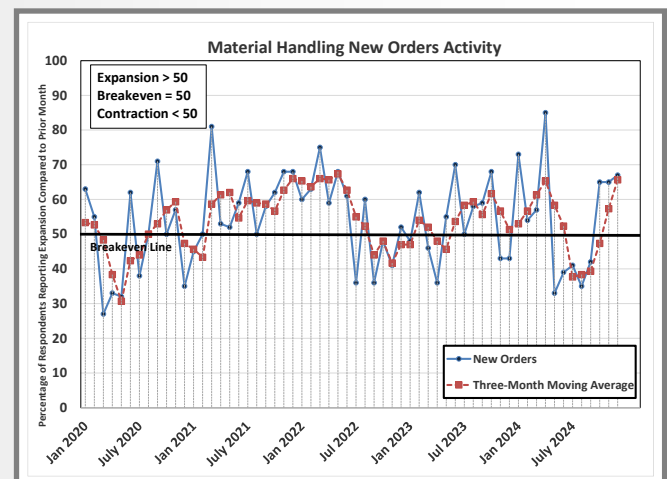


NEW ORDERS

Material Handling New Orders expanded in December, as 67% of respondents noted expansions, and 33% reported monthly contractions.

This was the strongest reading in this series since April 2024. New Orders have been mixed recently, expanding in 14 of the past 25 months.

The three-month average for New Orders rose to 66% in December, and the six-month average rose to 53%.





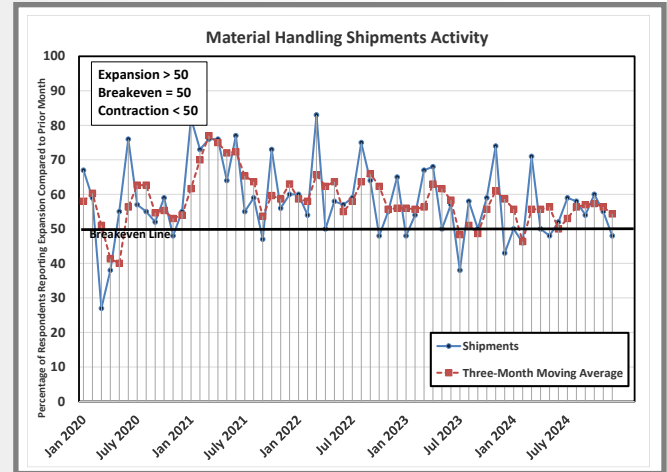
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SHIPMENTS

Shipments contracted modestly in December, as 48% of respondents noted monthly expansions and 52% noted contractions. The three-month average for expansions slowed slightly to 54%, and the six-month average was unchanged at 56% percent.

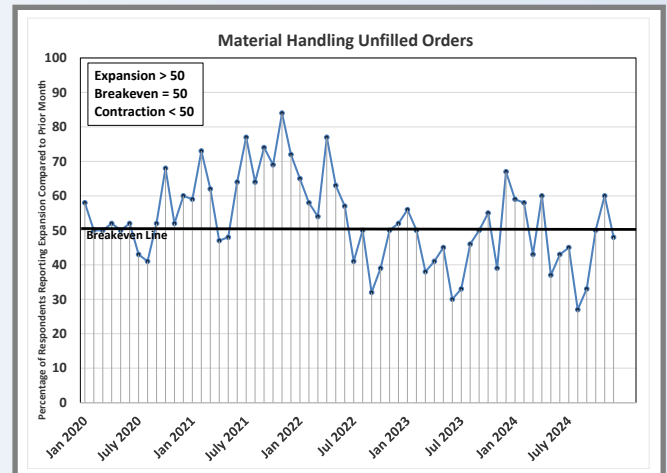
Shipments have only contracted seven times in the past 39 months. We believe this relatively persistent strength is due to material handling companies burning off their backlogs and inventories.



UNFILLED ORDERS

Unfilled Orders contracted modestly in December, as 48% of respondents noted monthly expansions and 52% noted contractions.

Unfilled Orders have been weak recently, expanding only eight times in the past 30 months. The ongoing weakness in Unfilled Orders and the relative strength in Shipments indicate that companies have been burning off their backlogs.

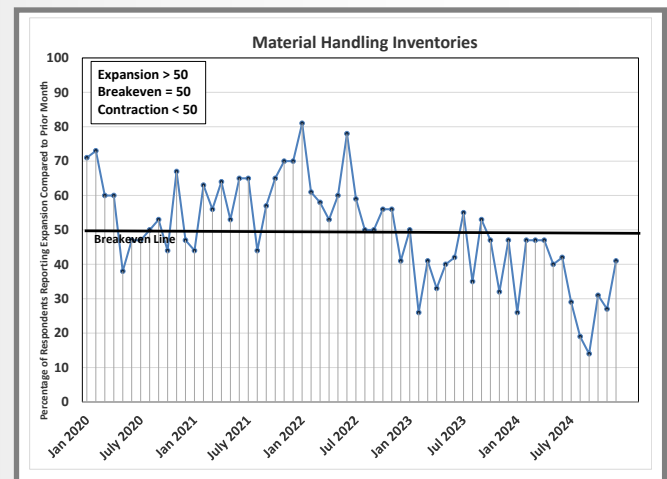


INVENTORIES

Inventories contracted in December for a 15th consecutive month. In December, 41% of respondents noted monthly expansions, but 59% noted contractions.

Inventories have shown recent weakness, expanding just twice in the past 25 months. Since supply chain and labor issues improved in the wake of COVID, companies have been running down their WIP inventories and burning off their backlogs.

Data collection related to Inventories allows respondents to opt-out of this question if they do not maintain inventories.





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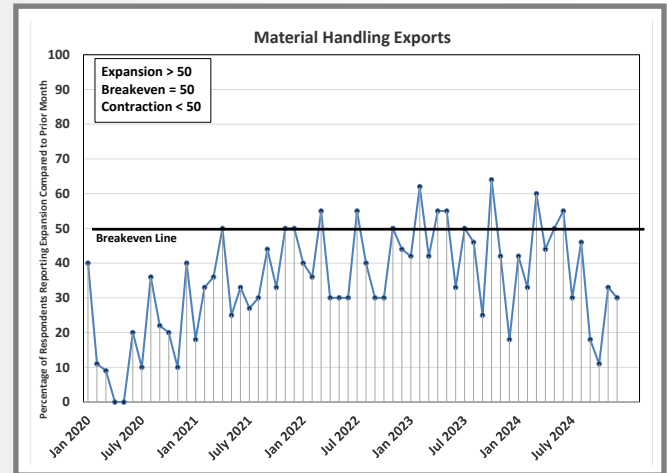
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EXPORTS

Exports fell in December, as 70% of respondents noted monthly contractions and only 30% reported monthly expansions.

Exports have been persistently weak, expanding in just 21 of the past 113 months. A relatively strong dollar and weak global growth have been holding back Exports. As U.S. interest rates likely fall in 2025 and 2026, this series is poised to improve.

Data collection related to Exports allows respondents to opt-out of this question if they do not export.

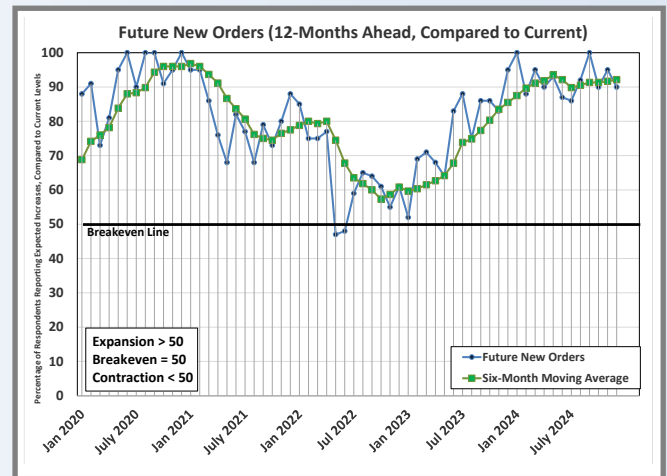


FUTURE NEW ORDERS IN 12 MONTHS

The Future New Orders series decelerated in December to 90%. This implies that the vast majority of respondents expect Future New Orders will be higher in 12 months.

The three-month average for the Future New Orders series decelerated to 92% in December, while the six-month average remained unchanged at 92%.

The strength of this series is positive for the future of material handling new orders, and it stands in stark contrast to some contractions during 2024 in the series for current New Orders.



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Data Collection:

Responses from MHI Executive Leadership are collected using questions provided by Prestige Economics.

Approximately 30 executives sit on the MHI Board of Governors and Roundtable Advisory Committee.