

Datanote: US Industrial Production, February

In one line: No visible upturn yet

The uptick in industrial production and the rebound in manufacturing output are less impressive than the beats relative to consensus imply, because the already-weak January numbers were revised down. As our first chart shows, both manufacturing and mining output slumped in January, probably reflecting disruptions linked to winter

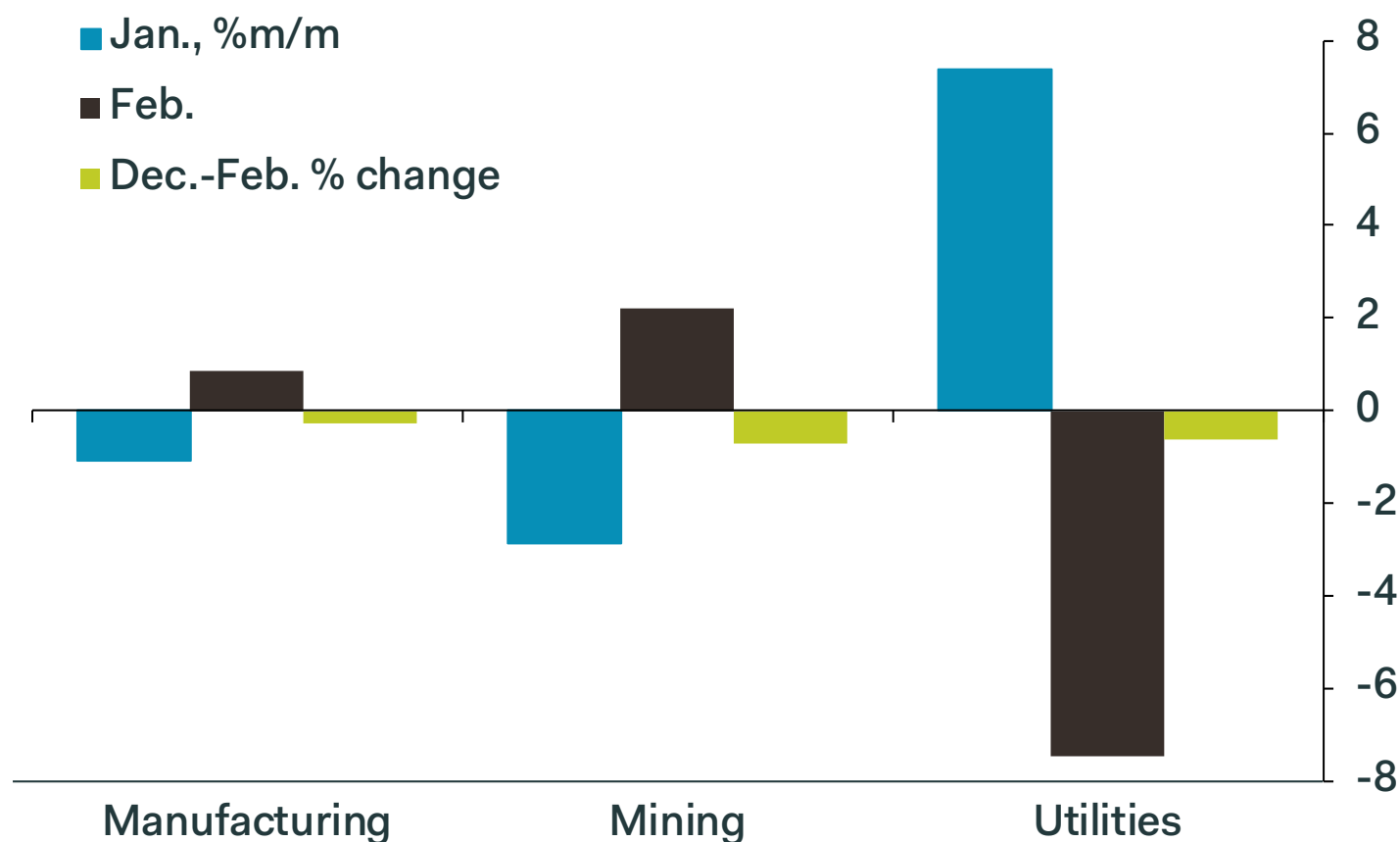
storms in the Midwest and Northeast. Utilities output leapt in January as heating demand surged, and then dropped back in February, constraining the headline IP print.

February's rebounds in manufacturing and mining output merely reflect an incomplete unwinding of that disruption; February saw warmer-than-usual temperatures and below-average levels of snow cover. The manufacturing sectors which saw the steepest declines in January, such as

motor vehicles and chemicals, saw the biggest gains last month, but overall output has not quite returned to its December level.

The bigger picture here is that a sustained improvement in industrial production hinges on the manufacturing sector, which has yet to break out of the gradual slide which started in late 2022. We think the combination of a pick-up in domestic investment on the back of lower rates and a bit more support from external

demand will lift manufacturing over the coming quarters, but we see few signs of this happening in either the hard activity data or the surveys for the time being, so the near-term outlook is the manufacturing is likely to flatline for a while yet.



— ISM manufacturing production index (Left)

—◇— Manufacturing output ex-autos, 3m/3m annualized, % (Right)

