

Datanote: US Industrial Production, September

**In one line: Boeing strike weighs on
an already struggling sector.**

- Industrial production fell by 0.3% in September, a bit below the consensus, -0.2%. Net revisions were -0.1%.
- Manufacturing output dropped by 0.4%, also lower than the consensus, -0.1%. Net revisions were also -0.1%.

September's drop in industrial

production is not quite as bad as it looks, with the bulk of the decline reflecting the strike among machinists at Boeing, which began on September 13. The “aerospace and other transportation equipment” component of manufacturing output dropped by 8.3% similar to the declines seen during the first months of other Boeing machinist strikes in the past, shown in our first chart. The volatile auto production component also dropped, by 1.5%, which we think reflects issues with seasonal adjustment. Output

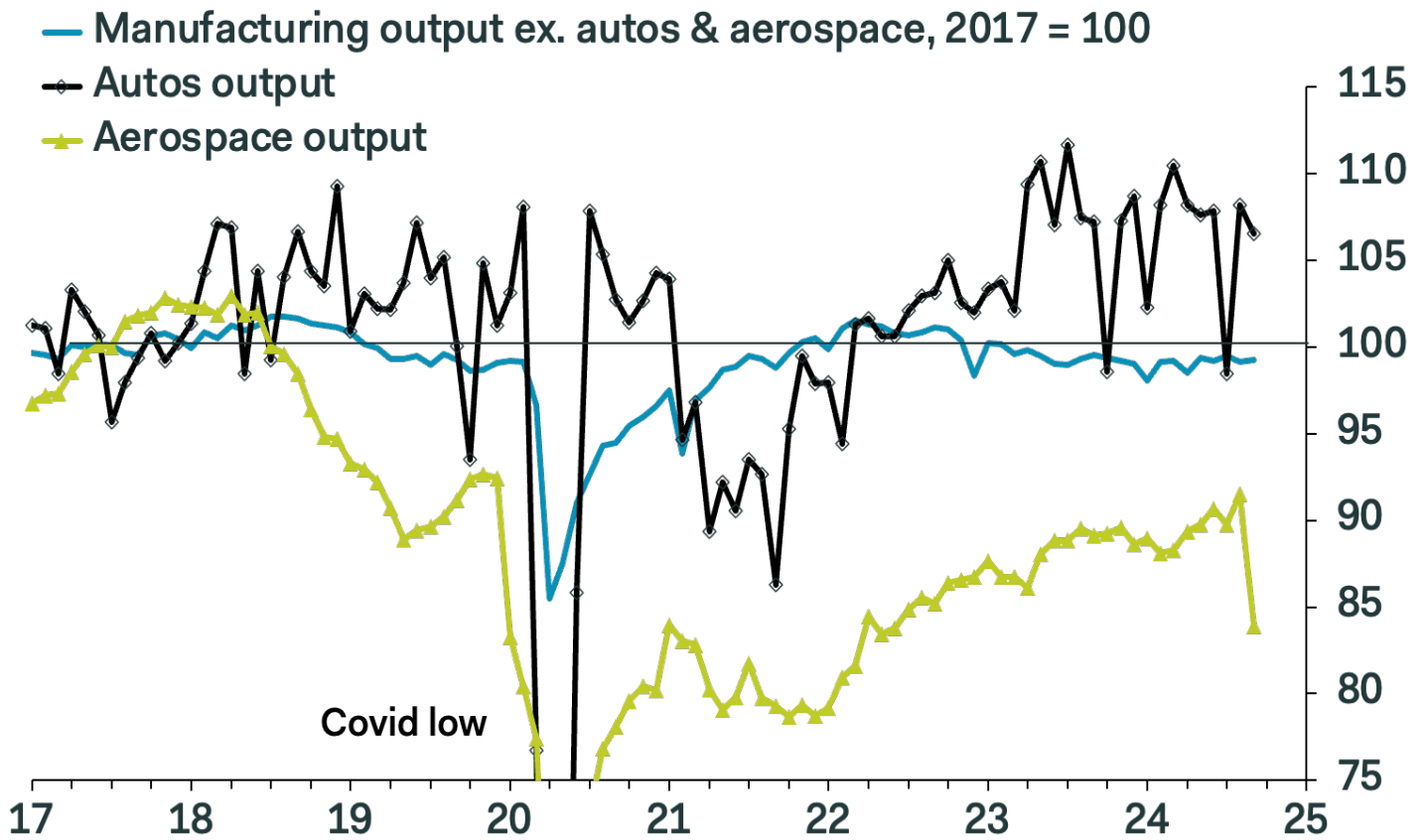
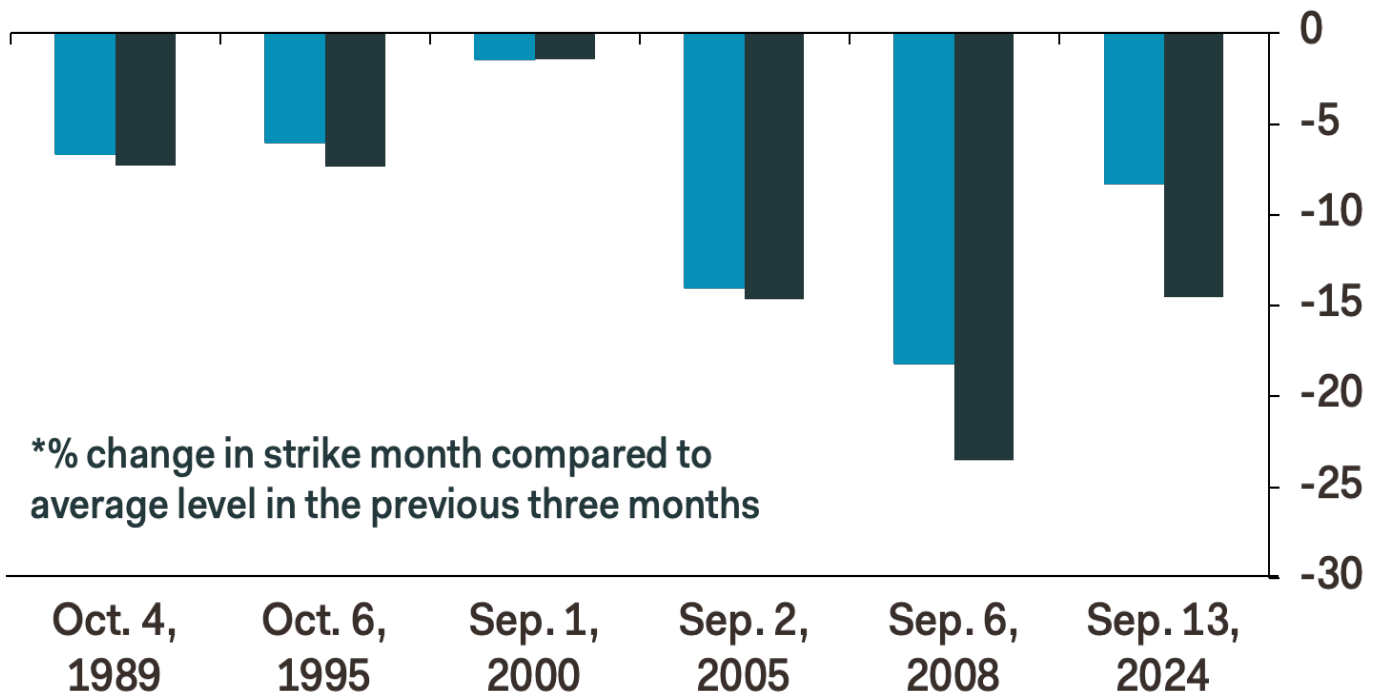
reportedly plunged in July, rebounded in August, and fell back to trend in September.

Excluding the aerospace and auto components, manufacturing production rose by 0.1% in September and increased at a modest 1% annualized rate in Q3. Elsewhere, mining and utilities output were little changed last month, continuing relatively flat trends for both sectors.

Manufacturing will see rebound

when the Boeing strike ends. But surveys of the manufacturing sector and companies' investment intentions suggest that the Fed's nascent easing cycle has done little so far to boost demand for manufactured goods, and external demand is too weak to push manufacturing out of its current malaise. Renewed declines in long-term interest rates would help the sector, but probably only at the margin, especially if they are accompanied by a material weakening in consumers' demand, as we expect.

- Aerospace & other transportation output in first strike month*
- Adjusted for number of working days covered by strike



- ISM manufacturing index, advanced two months (Left)
- ↔ Manufacturing output ex-autos & aerospace, 3m/3m ann., % (Right)

