

Economic Indicator — October 17, 2024

## Industrial Production Whiffs in September, Down for Q3 as a Whole

### Summary

Industrial production fell in September as capacity utilization dropped to a three-year low. There were mitigating factors at play, but it is emblematic of the dire straits in the manufacturing sector today that one-off factors can derail output rather than just slow it.

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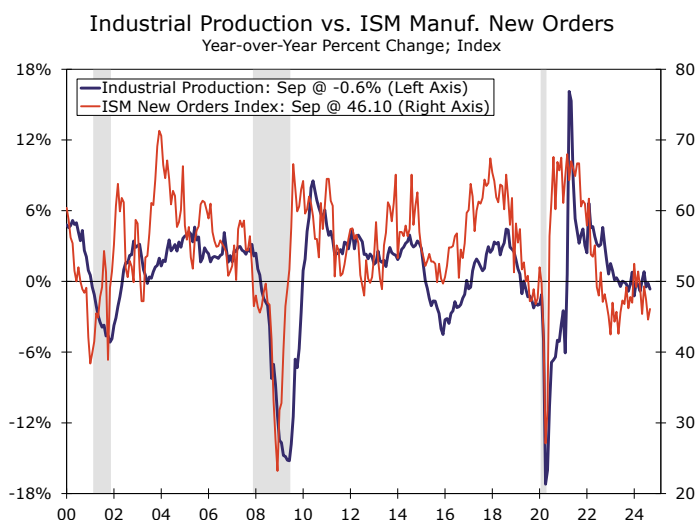
## Industrial Sector Cannot Take a Punch

Industrial production fell 0.3% in September, reversing a gain of the same magnitude in August. Factor in a drop in output in July and the third quarter as a whole was a bust for industrial production, falling at an annual rate of 0.6% ([chart](#)).

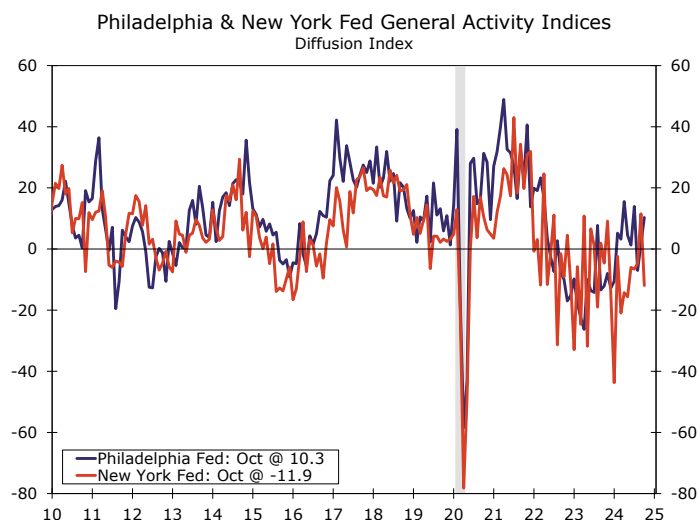
There are some mitigating factors to consider here such as a strike at a major domestic aircraft manufacturer and the negative impact of hurricanes. The Federal Reserve reckons these factors together exerted an overall drag of 0.6% on September production.

In a better manufacturing environment, these one-off factors would merely be headwinds holding back the pace of output growth; in today's stall-speed climate, they are enough to make output contract.

Manufacturing output in particular was down 0.4%. That makes this the third monthly decline in factory production in the past four months. The fact that orders figures from survey data have not been particularly buoyant in recent months means that while the news is dreary, it is not surprising.



Source: Institute for Supply Management, Federal Reserve Board and Wells Fargo Economics



Source: Federal Reserve System and Wells Fargo Economics

## Eventually, Better Days Coming for Industrial Production

Eventually, we expect output activity to pick up as rates continue to come down and as firms gain clarity on the fiscal policy outlook once the election is sorted out. In the near-term however, prospects are mixed. Some contrasting reads on the state of business activity in October highlight this ([chart](#)).

In a separate report released earlier this morning, a regional manufacturing survey from the Philadelphia Fed posted a stout increase coming in at 10.3 for October, which is the third strongest monthly reading for 2024. The new orders component of that survey was a standout, coming in at +14.2.

The Philly Fed index counters some less cheery survey data out of the New York Fed earlier this week. The Empire Index saw its general business conditions measure drop to -11.9. Orders were down in that report.

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