

Economic Indicator — November 15, 2024

# Don't Blame Production Slump on Hurricanes

## Summary

The outlook wasn't brilliant for industrial production that day. The consensus expectation was for a decline of 0.4% in October. The actual reported decline was "just" 0.3%, although downward revisions to prior data nullified any sense of relief from that.

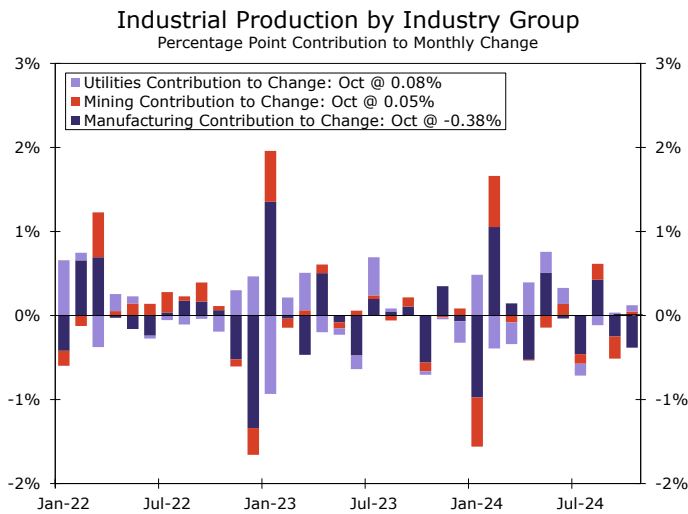
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Source: Federal Reserve Board and Wells Fargo Economics

## No Joy in Muddville

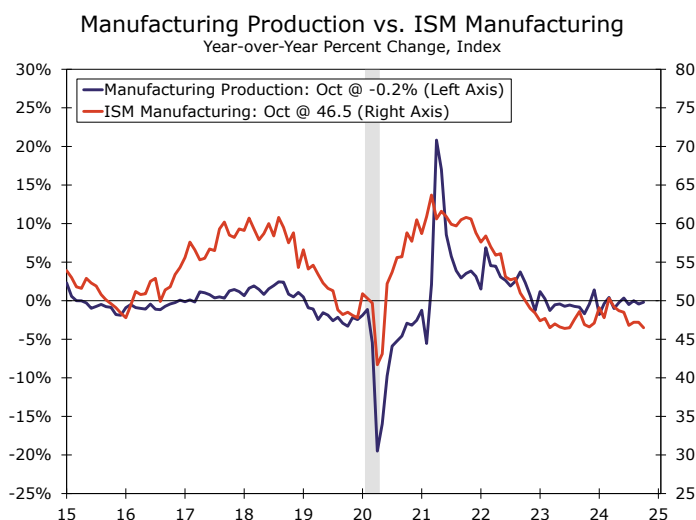
October came with a strike at Boeing and hurricanes that disrupted activity, but the fact of the matter is the slump in industrial production is bigger than these one-off factors and output is not yet seeing relief from lower interest rates. In fact, a supplemental note in today's release clocked the drag from hurricanes as a drag of just 0.1 percent.

It is an unfortunate commentary on the state of affairs that the best that can be said about October industrial production is that the decline of 0.3% is a bit less than the 0.4% drop that was the glum consensus expectation ([chart](#)). Yet even this modest consolation turns out to be a hollow one after noting that last month's 0.3% decline was revised lower to report an even bigger drop in September output of 0.5%.

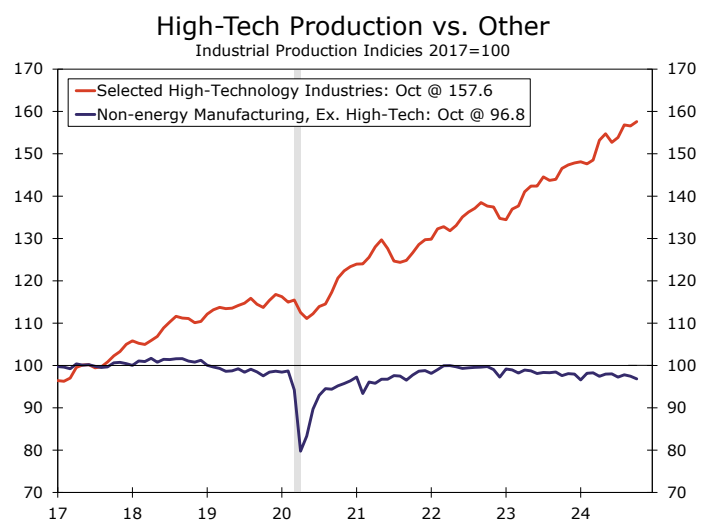
The Federal Reserve's base year for industrial production is 2017 and output set such that 2017=100 for the index. The October reading is 102.3. In the years since 2017, total industrial production has grown less than 3%.

For manufacturing production, the backdrop is worse ([chart](#)). The October reading there is 98.5, meaning output is actually down since 2017. The weakness here transcends politics; at its zenith during the past 15 years, manufacturing output never exceeded a reading of 102. Manufacturing production fell again in October just as it has in three out of the past four months.

Utilities and mining production, which together comprise about a quarter of overall production both eked out modest gains in October.



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



Source: Federal Reserve Board and Wells Fargo Economics

## Somewhere in This Favored Land, the Sun is Shining Bright

Underlying details offered mixed results in October. Production at factories making consumer goods was little changed. Among consumer goods, the production of durables decreased 1.4 percent, while the index for non-durables increased 0.4 percent. In a scenario in which rates continue to come down, there is a case to be made for consumers to ramp up spending on durable goods again (which, in turn, would spur output activity). That said, the move higher in rates and shifting expectations about the trajectory of rate cuts in the wake of the election suggest less scope for that potential lift to durables activity.

None of this is to say that all firms are struggling when it comes to production. In [reports](#) published earlier this year, we described how firms whose output was tilted toward high-tech industries have seen sturdy growth in recent years ([chart](#)). The massive spend that has already occurred in the building of factories which produce computer and electronics products (particularly semi-conductors and microchips) means plenty of fresh capacity will be coming on-line in the near future.

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