



# Economics Group

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## Another Weak Report for Industrial Production in September

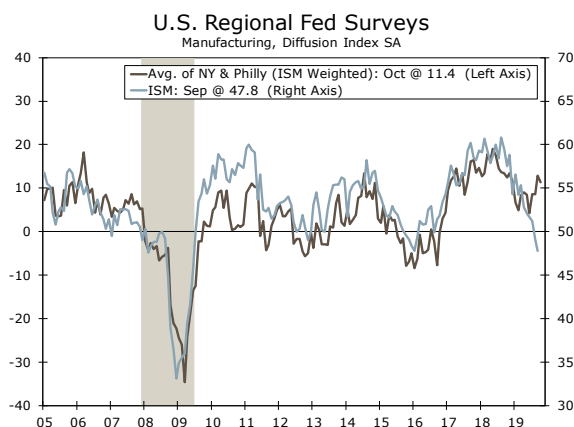
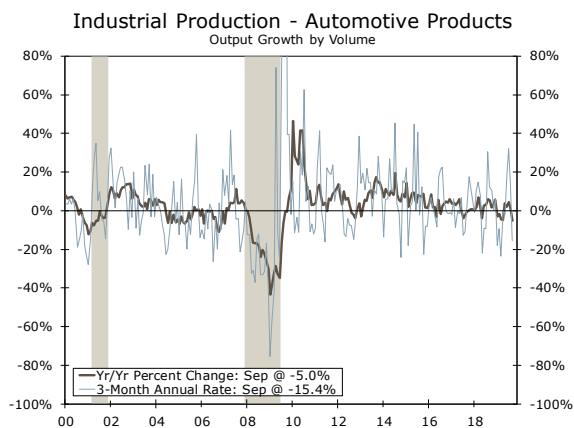
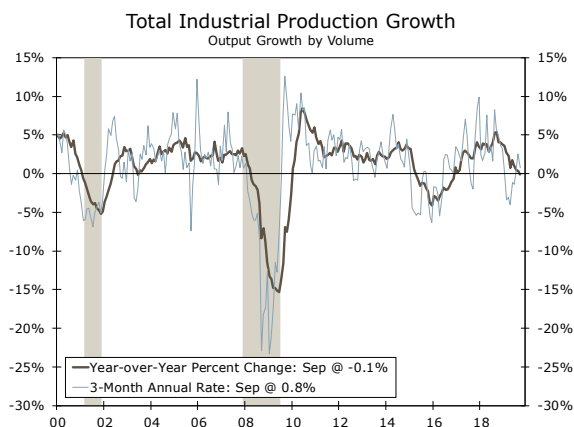
**Industrial production slowed 0.4% in September. While the GM strike held down production, manufacturing outside the auto industry continues to slow and suggest that the industrial sector remains under pressure.**

### Broad-Based Declines in Output

Activity in the industrial sector slowed in September, with total production down 0.4%. The slowdown was broad-based with only a weather-related 1.4% jump in utilities output, as last month tied 2015 as the second warmest September on record. Gains there helped offset some of the slowdown, but weakness in mining and manufacturing weighed on overall activity. Mining production was down 1.3% in September, pushing mining output down 4.4% at an annual rate in Q3; the first quarterly decline in three years.

Manufacturing output declined 0.5%, led by a 4.2% drop in motor vehicles & parts production, due to the United Auto Workers (UAW) strike from General Motors (GM). The strike, which consists of approximately 48,000 workers, has now spanned its fourth week marking the largest coordinated work stoppage in years and the longest strike against GM since 1970. GM and the UAW reached a tentative agreement yesterday that could end the strike, and the UAW GM national council is expected to vote on the deal later today, and decide if workers will return to work or remain on strike until the deal is ratified. Even if approved, the deal is still likely a few weeks from being finalized, meaning October output will likely also suffer, though the extent of the decline depends on when workers return to work.

Roughly 343,000 workers were on strike from GM for a little over two months (67 days) starting on September 14, 1970. Data are not available for the industrial motor vehicles & parts component, but consumer autos output declined in each of the next two months. The comparable component declined 4.1% last month, and there is scope for another decrease in October. Looking past the GM-related impact, weakness hasn't just been tied to the auto sector. Manufacturing excluding motor vehicles & parts declined 0.2% in September, suggesting the slowdown in manufacturing continues. The ISM manufacturing index slid to 47.8—its lowest level this cycle—in September, and regional PMIs to date for October aren't faring much better. The Empire Manufacturing Index rose 2.0 points, while the Philadelphia Fed Index fell 6.4 points. On an ISM-weighted basis the two indices have moved modestly lower, but remain in expansionary territory and continue to point to a higher ISM. Outlook components from the surveys suggest modest improvement, with expectations and capital spending plans improving. But, employment indices were mixed and comments from the Federal Reserve's October Beige Book stated, "a number of districts reported that manufactures reduced their headcounts because orders were soft." As trade tensions persist, the manufacturing sector continues to be under pressure, and headwinds from the trade war and slower global growth will likely continue to weigh on activity.



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