

# United States

## Industrial production rebounds in August, led by manufacturing

- Industrial production rises 0.4% in August after stagnating in July
- Manufacturing output jumps 0.7%

US industrial production rebounded in August, fuelled by a reassuringly strong rise in manufacturing output. The encouraging picture of solid, albeit unspectacular, industrial growth adds to the probability of the Fed reining in some of its stimulus at the FOMC meeting this week, with a small cut in its monthly asset purchases still looking the most likely outcome.

In August, the US industrial sector showed its largest monthly production gain since February, with output rising 0.4% during the month, according to the [Federal Reserve](#). The increase is a big relief after production was unchanged in July, which had marked a disappointingly weak start to the third quarter.

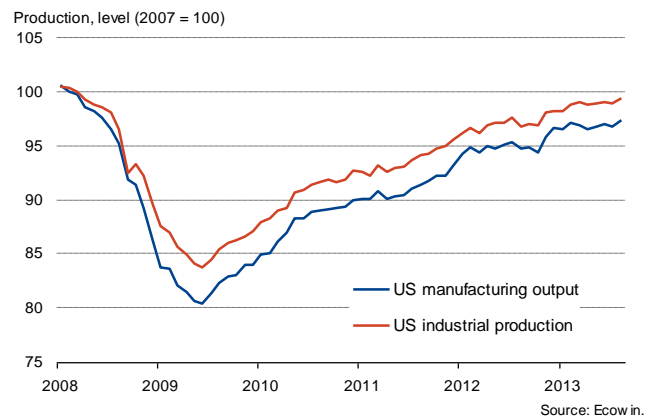
The data on goods production were even more encouraging – a 0.7% gain during August more than reversed a 0.4% drop in July. The turnaround was largely due to the autos sector, which reported a surge in production after a slump one month previously. However, broad-based gains were seen in almost all the major manufacturing sectors, with the exceptions of chemicals and basic metals. The less-volatile quarterly growth rate picked up to 0.3% in the three months to August compared with a 0.1% drop in manufacturing output in the three months to June.

The Fed also published data on capacity utilisation, which showed capacity running 2.4% below its long-run average. Such excess capacity is good news for inflation, as it means the industrial sector has room to grow before demand exceeds supply, which often leads to the build-up of inflationary pressures.

Having signalled a stalling of industrial sector growth earlier in the summer, the official data have therefore rebounded alongside the business surveys, such as [Markit's PMI](#). Both surveys and government data are now indicating that the industry is growing at a modest underlying pace, which should help drive a further improvement in the overall economy in the third

quarter. However, when viewed alongside last week's disappointing retail sales data, it is likely that the pace of economic growth will have slowed compared to the 2.5% annualised pace seen in the second quarter.

### US industrial and manufacturing production



### Manufacturing output and the PMI



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