

United States

US industrial production stalls

- Industrial production was unchanged in July
- Manufacturing down 0.1%
- Surveys point to pick-up

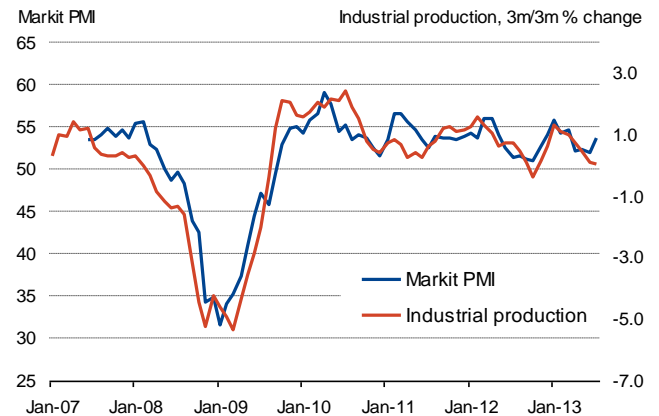
US industry suffered a disappointing start to the third quarter, but there are signs that growth may pick up again as we move through the quarter.

Industrial production stalled in July, showing no change against expectations of a 0.3% increase. Manufacturing output fell unexpectedly, down 0.1% against June. Even when looking at the three-month trend, which removes some of the volatility in the data, the picture is one of a stalling industrial sector. Production was flat in the three months to July, the weakest performance since last October and indicating that the economy has slowed sharply from the 1.3% three-month growth rate seen at the beginning of the year and the 1.0% rise seen in the first quarter. This clearly represents a weaker than anticipated start to the third quarter, and will raise question marks over the solidity of the US economic recovery.

However, July may represent a low for the sector. The easing in the rate of growth over the course of the year to date has been signaled in advance by Markit's PMI survey and, reassuringly, having slumped to an eight-month low in June, the PMI picked up in July, hitting a four-month high. The improvement in the survey data – which have provided a very reliable guide to the official numbers (see chart) – suggests that the official data will pick up again in coming months. Importantly, new order inflows gained further momentum during the month, which should drive ongoing production growth.

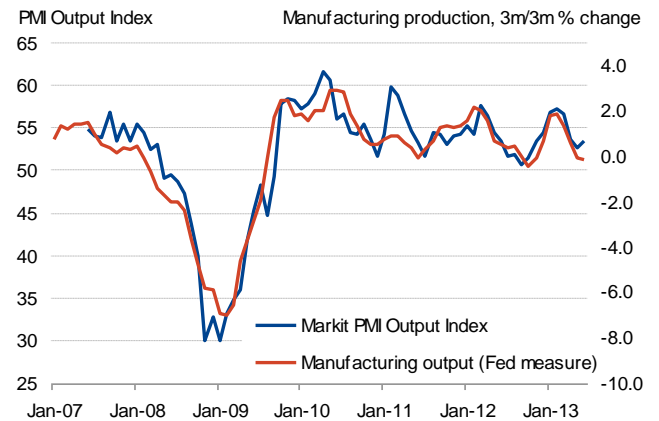
Manufacturers are reporting that domestic demand is providing the main impetus to renewed growth, but perhaps the most important driver of new orders in July was the export market. With growth picking up in Europe, US firms are able to offset some of the weakness evident in emerging markets. July's rise in export orders was the largest so far this year.

Industrial production



Sources: Ecwin, Markit

Manufacturing output



Sources: Ecwin, Markit

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