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US industrial output continues to impress

US industrial output is making a strong positive contribution to the economy with output rising 0.5% MoM in March after posting a 1% increase in February



Source: iStockphoto

0.5%

US industrial output growth MoM for March vs 0.3% consensus

Better than expected

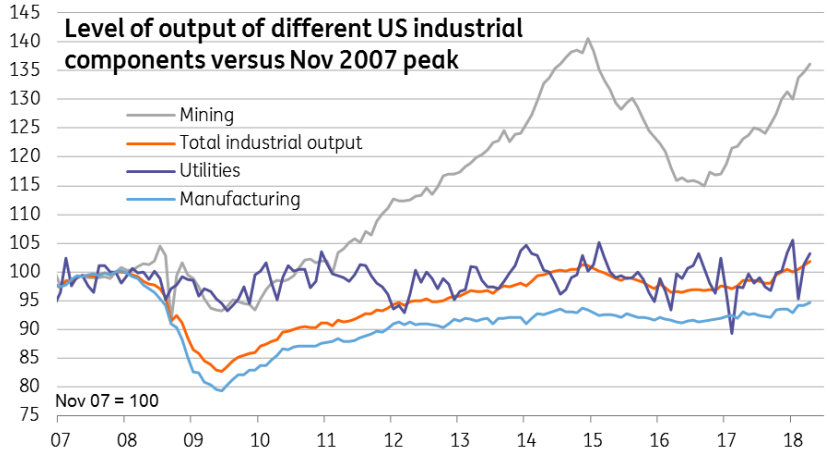
US industrial production has beaten expectations again, rising 0.5% MoM in March versus the consensus forecast of 0.3%. This follows a 1% rise in February. Utilities (+3%) and mining (+1%) led the way, but manufacturing also rose 0.1% after having jumped 1.5% in Feb. Motor vehicles were the star performer, rising 2.7% MoM while machinery output fell 0.4%.

The outlook remains positive given the robust domestic economy and a competitive exchange rate that allows US exporters to really benefit from the upturn in global demand. Indeed, the ISM manufacturing index remains close to 60 versus a break-even level of 50 while Baker-Hughes rig

count data (a three year high) suggests mining and mineral extraction will continue to be supportive for growth. Nonetheless, it is important to remember that manufacturing output is still 5% lower than a decade ago while manufacturing employment is down 7.5%.

In terms of headwinds, trade tensions remain a clear risk while problems obtaining commodities (aluminium market in particular following an extension of Russian sanctions) could create bottlenecks in the near term.

US industrial output by category - manufacturing still playing catch-up



Source: Macrobond

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