

## Tougher times ahead for US industry

There is broadening evidence of a softening trend in industrial activity in the States, similar to what we're seeing in retail sales. Output fell 0.2% and there were downward revisions to the history. Regional manufacturing surveys also suggest tougher times are on the way for the fourth quarter

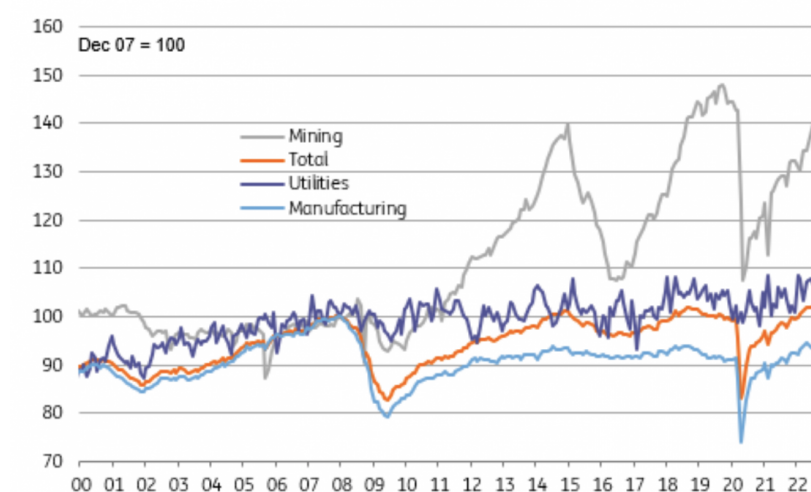


US industrial output is softening

### US Industrial activity shows signs of slowing

US industrial production fell 0.2% in August (consensus 0.0%) while July was revised lower to 0.5% from 0.6%. The composition shows manufacturing was a little better than expected - rising 0.1%MoM rather than falling 0.1% with falling auto output offset by gains elsewhere, but again there was a 0.1pp downward revision to July. Utilities' output dropped 2.3% in response to cooler weather while mining was flat on the month despite oil and gas drilling rising 2.7%.

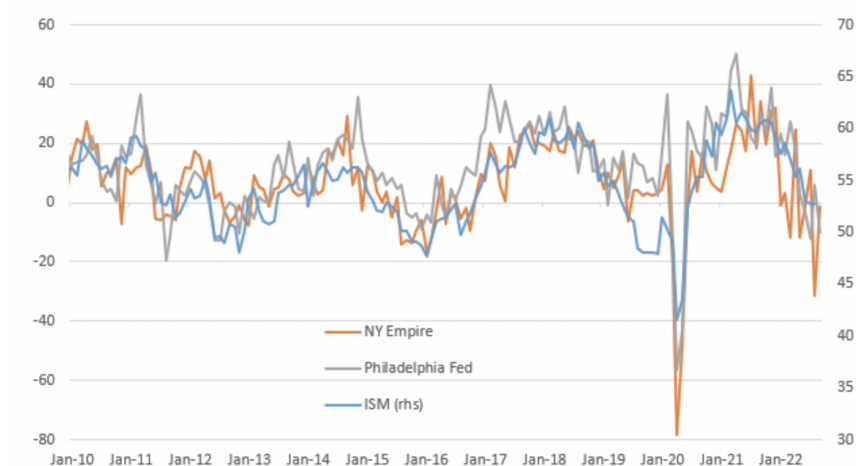
## US industrial production levels by component



Source: ING, Macrobond

Like the retail sales report, you can see a softening trend, with August manufacturing output levels just 0.2 percentage points above those in March. Broader manufacturing is a little better, being 0.9 percentage points higher than in March, but this is purely down to the strength in oil and gas drilling following the spike in prices.

## US manufacturing surveys on a weakening trend



Source: ING, Macrobond

## Industry faces intensifying challenges

This drilling looks set to continue being the main growth driver given the supply strains the gas market is under globally. Indeed, today's Philadelphia Fed manufacturing survey (weaker) and Empire (stronger from a very weak level) point to further declines ahead for the ISM and broader manufacturing numbers. While we remain hopeful for a decent contribution to GDP activity from industry in the third quarter, helped by inventory building boosting orders, the story towards the

end of the year is unlikely to be as good. China's PMIs are already pointing to more bad news, while fears of energy rationing in Europe raise another troubling issue for US manufacturing supply chains and costs.

## Author

### James Knightley

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).