

## US: A slippery slope for industry

Supply constraints from Asia, plummeting demand both at home and abroad together with the disruptive effects of social distancing mean March's steep fall in output is just the beginning. This will undoubtedly hurt capital expenditure in coming quarters, particularly in the energy sector given the collapse in prices and consumption



Source: iStockphoto

**-6.3%**  
**MoM**

The steepest MoM fall in manufacturing since 1946!

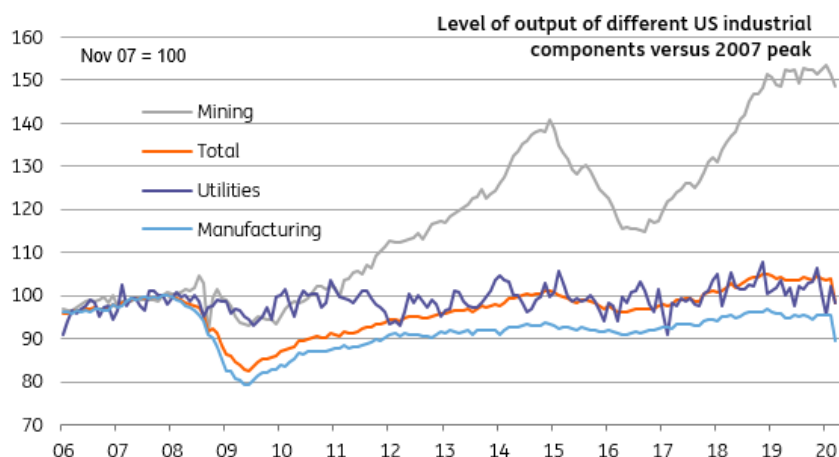
### March plunge is just the beginning

US manufacturing and industrial production fell more than expected in March, -6.3% month on month and -5.4% MoM, respectively, and was much weaker than implied by the ISM manufacturing survey. It underlines the problems for the sector caused by the combination of Asian supply constraints, weaker demand and some social distancing in the workplace. It also

offers early signs of the pain to come for the energy sector in the wake of the price collapse and demand destruction as travel is steeply curtailed.

The details show motor vehicle output fell 28% while even excluding this major category, output was down 4.5% with all categories reporting falls of between 1.8% (info processing) and 8.6% (business equipment). Utilities output fell 3.9% while mining output was down 2%, but we will see much steeper declines in coming months as drilling is cut back (Baker Hughes report that US oil and gas rig counts are currently at 602 versus 793 at the start of March)

## The level of output by sector 2007 = 100



Source: Macrobond, ING

## Output set to test Great Financial Crisis lows

Today's report takes manufacturing output to the levels last seen in 2012. April's manufacturing numbers will be much worse based on today's NY State Empire manufacturing survey's 57 point fall. It is at levels consistent with an ISM report of 35, which in turn is consistent with manufacturing output falling 15% year on year for next month versus -6.6% YoY in March. During the Great Financial Crisis the weakest reading was -18% YoY in early 2009.

With production and new orders plummeting, manufacturing firms have plenty of capacity. This will undoubtedly hurt capital expenditure in coming quarters with unemployment in the sector set to rise, despite government and central bank support programmes. As such we are sticking to our 1Q GDP forecast of -6% annualised and 2Q of -40% annualised.

### 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 <http://www.ing.com>.