

## US industrial sector remains the bright spot

While the consumer sector is languishing the industrial sector of the US continues to strengthen, boosted by demand from Asia, ongoing inventory rebuilding and being far less impacted by Covid containment measures than other parts of the economy. Nonetheless, manufacturing output remains down compared to even pre-Great Financial Crisis levels

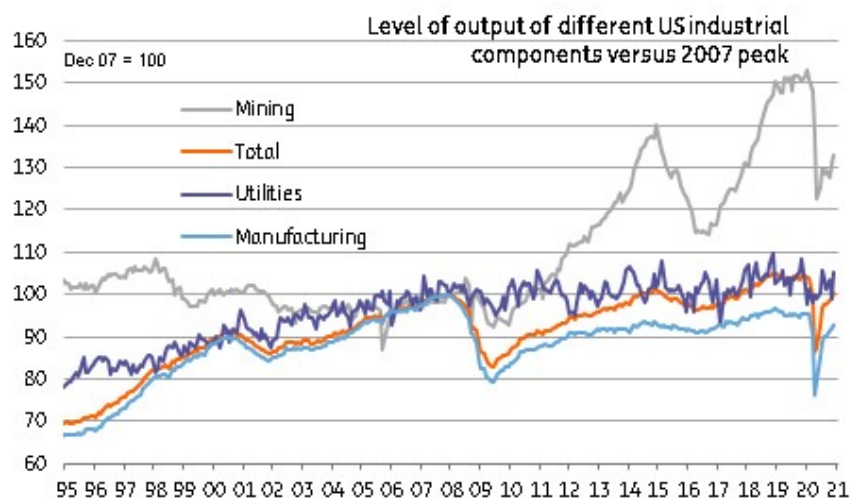


Source: iStockphoto

Industrial output jumped 1.6% in December versus the 0.5% month-on-month consensus. Utilities output was the key story, rising 6.2% on heating demand following colder weather. Mining rose 1.6% and manufacturing gained 0.9%. So while the US consumer sector struggles, the industrial sector is performing incredibly well – unfortunately it is such a small part of the US economy these days that it can do little to offset the weakness elsewhere – remember consumer spending is around 70% of GDP and industrial production is barely 10%.

Manufacturing should continue to perform well given the strength in Asian export demand, the fact that inventories are low by historical standards and will continue to be rebuilt while we should also remember that the sector is far less constrained by Covid measures. As such the numbers will continue to outperform the broader economy.

## Levels of output relative to manufacturing peak of December 2007



Source: Macrobond, ING

Higher fuel prices may also start to generate higher mineral extraction growth – note the US oil & gas rig count numbers are back up to 360 as of last week having bottomed at 244 in mid-August. Still a long way to go to get back to the 792 pre-pandemic level in early March.

Despite all this positivity we have to remember that manufacturing output is still 2.8% below the level of the most recent high in December 2019 and is actually 7.2% below the all-time high in December 2007. We will be keenly waiting to see if Joe Biden can introduce measures that can actually support this sector. His infrastructure and green energy investment plans should help, but we will have to wait and see what form they come in and whether they will actually pass through Congress.

### 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).