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US: SLIGHT IMPROVEMENT IN SEP. INDUSTRIAL PRODUCTION BUT SECTOR REMAINS FRAGILE

**US Industrial Production advanced slightly by 0.1% m/m in September, with only one major category (utilities) declining*

** Manufacturing production, excluding autos, was down slightly on the quarter pointing to continued frailty in broader factory activity*

**The Empire State manufacturing survey for October reflected continued pessimism, with the headline index remaining in contraction*

US Industrial Production advanced slightly by 0.1% m/m in September, with only one major category (utilities) declining (Chart 1). Manufacturing production, excluding autos, rose by 0.2% m/m in September but was down slightly on the quarter, reflecting continued weakness in broader factory activity (Chart 2).

Of 23 industrial categories, 12 showed yr/yr declines in September, an improvement from 15 in August but still a large number of declines. In the last three months, production is up only 0.02% (annualized) - a clear loss in momentum (Chart 3). The durable goods sector has struggled again after gaining steam, while mining production seems to have already bottomed out, with higher oil prices (Brent Crude oil > $50), and the sector not shedding jobs for the first time in two years in September.

The Empire State manufacturing survey for October reflected continued pessimism, with the headline index remaining in contraction (below zero) for the third straight month and all sub-indexes in contraction except the prices paid and prices received sub-indexes (Chart 4).

Uncertainty surrounding the outcome of the upcoming presidential elections is probably weighing on current sentiment as businesses were more optimistic on the outlook, raising expectations for CapEx and employment in the six months ahead.

These reports on manufacturing suggest that the sector continues to grapple with the headwinds that we expect will continue in coming months.

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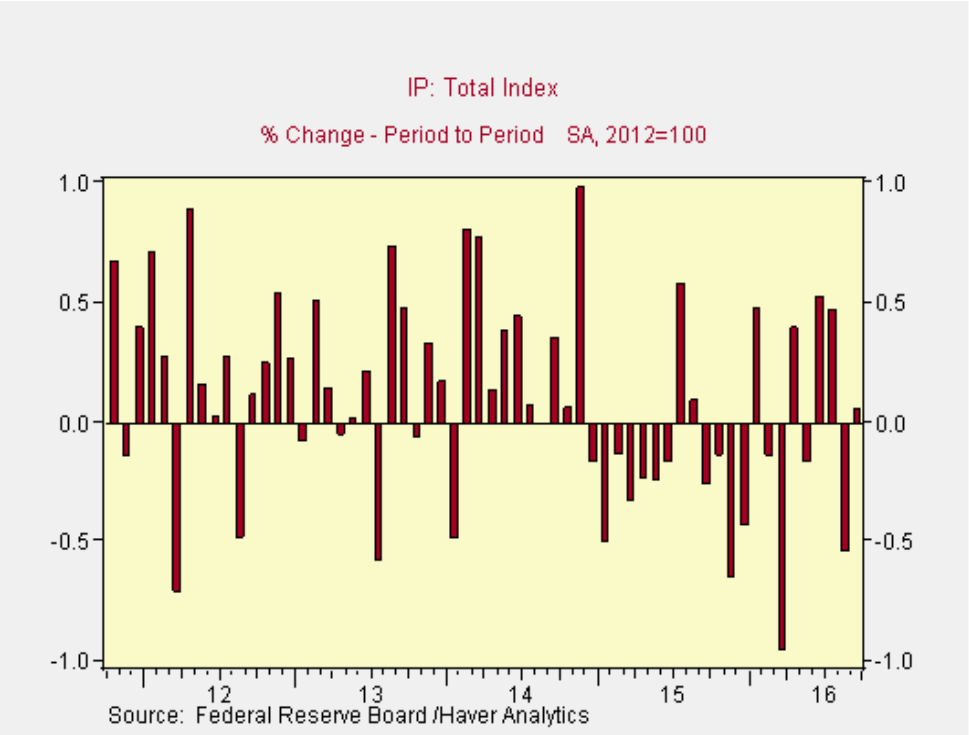
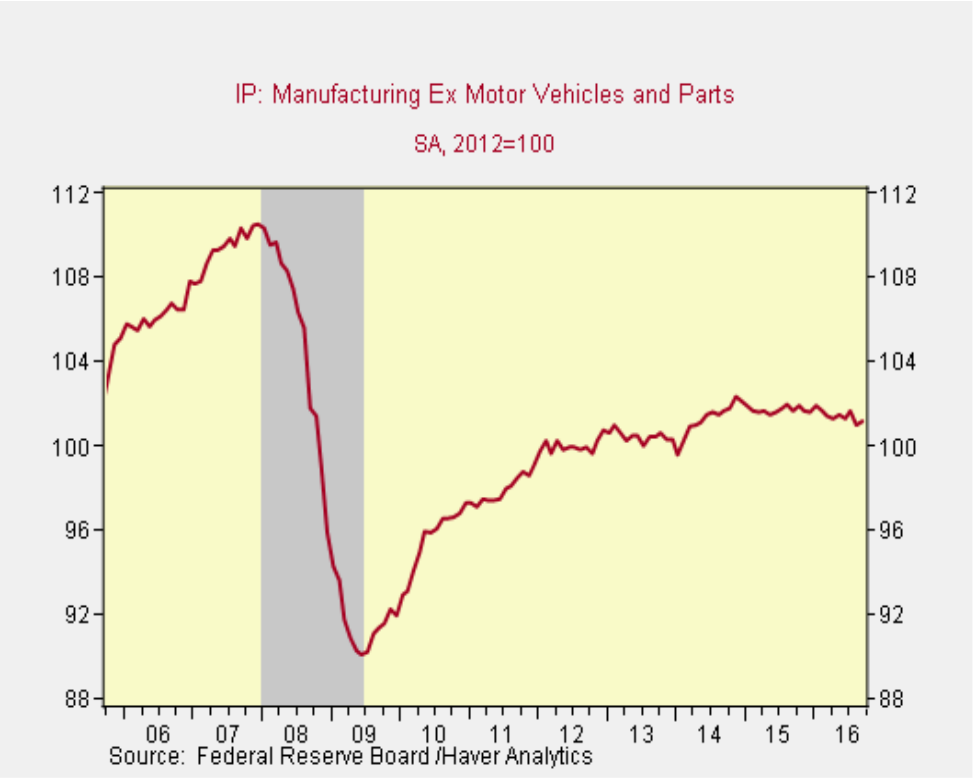
Chart 1: Total Industrial Production (Month-Over-Month Percent Change)



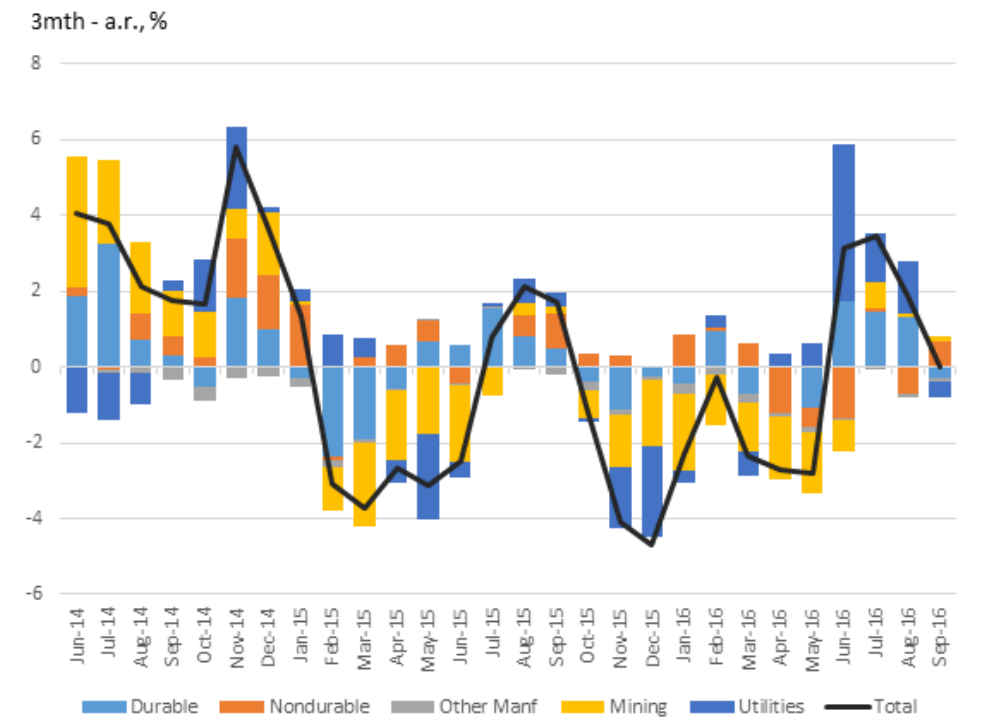
Source: Monthly data. Source: Federal Reserve Board and Haver Analytics

Chart 2: Manufacturing Production Excluding Motor Vehicles and Parts



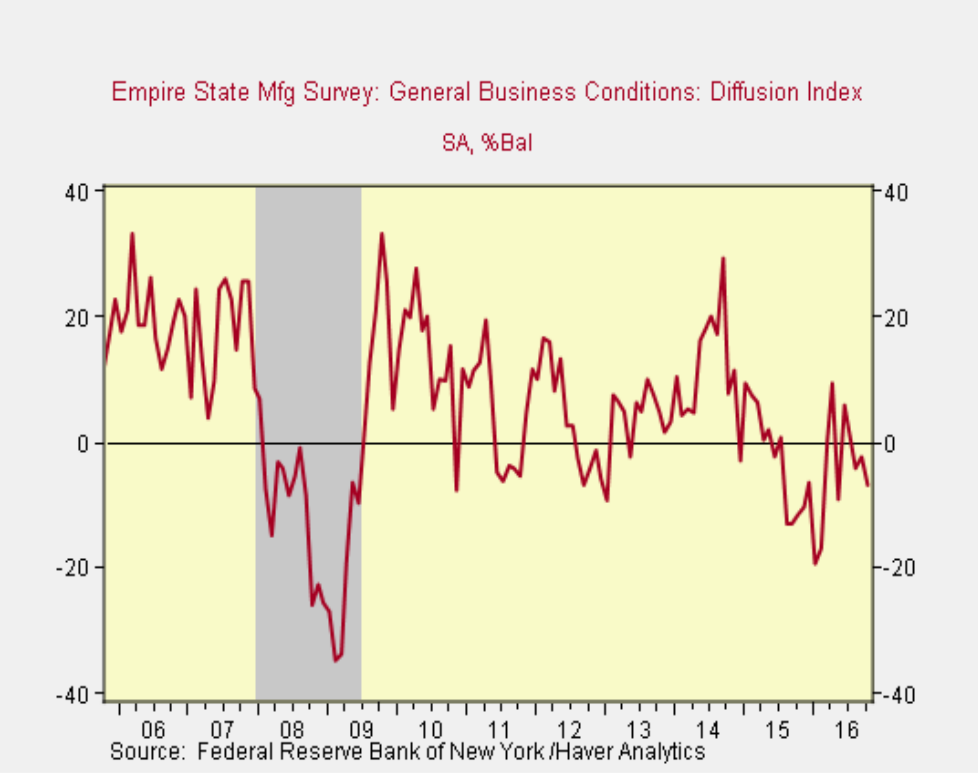
Source: Monthly data. Source: Federal Reserve Board and Haver Analytics

Chart 3: Industrial Production and Component Contributions (Three-Month Annualized Change)



Source: Monthly data. Source: Federal Reserve Board, Berenberg Capital Markets and Haver Analytics

Chart 4: Empire State Manufacturing Survey's General Business Conditions Diffusion Index



Source: Monthly data. Source: Federal Reserve Bank of New York and Haver Analytics

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