

U.S. Data Review

- Industrial production: hurricane constraints in mining & manufacturing

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Industrial Production

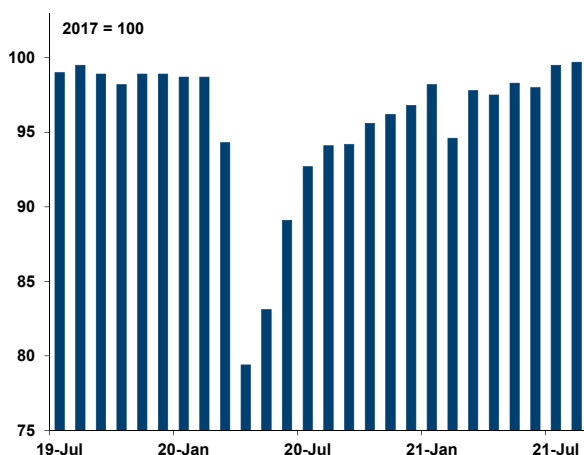
The industrial production index rose 0.4 percent in August, a touch lighter than the expected advance of 0.5 percent. Most of the increase was the result of a 3.3 percent jump in utility output, a change driven by warmer-than-normal temperatures rather than a favorable economic development. Manufacturing output rose only modestly (0.2 percent), and mining activity fell 0.6 percent. In addition, mining activity was revised lower in the prior five months, with the cumulative changes leaving the mining index in July 0.4 percent lower than previously estimated. The manufacturing index showed no net revision in the prior several months.

Results for manufacturing and mining appear unimpressive, but disruptions related to Hurricane Ida played a role. The Federal Reserve estimated that shutdowns related to the hurricane constrained growth by 0.3 percentage point. The hurricane hit landfall on Saturday August 28, but preparations in days preceding the storm had an influence.

While manufacturing industries tied oil extraction in the Gulf of Mexico had to shut down for a time (petrochemicals, petroleum refining, plastic resins), most other areas seemed to perform reasonably well. Among the 20 manufacturing industries listed in the Fed report, 12 posted advances, and a gain of 0.2 percent in total manufacturing despite the shutdowns could be viewed as a solid performance. The results also seem favorable in light of supply shortages that are constraining some sectors. The level of production in manufacturing moved above its pre-pandemic level in July, and it inched a bit higher in August (chart, left). Although above its pre-pandemic level, the manufacturing index still lags the highs from the previous expansion registered in 2018.

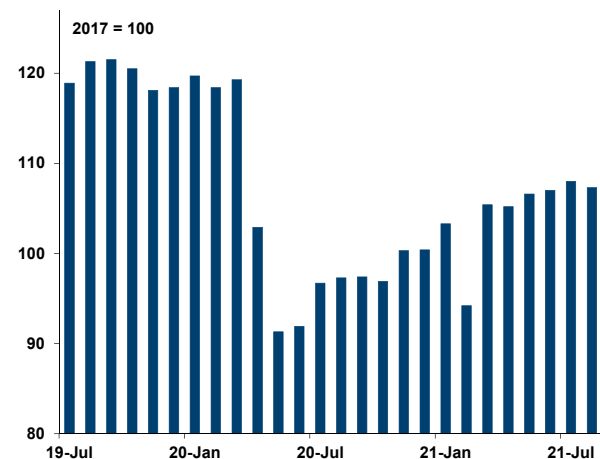
The Fed did not provide a separate estimate for the effect of the hurricane on mining, but it no doubt was sizeable. Mining activity has been recovering since mid-2020, but growth has not been overwhelming and this sector fell into a deep hole during the recession. Thus, mining is still well shy of pre-pandemic levels (chart, right).

Industrial Production: Manufacturing



Source: Federal Reserve Board via Haver Analytics

Industrial Production: Mining



Source: Federal Reserve Board via Haver Analytics

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