

U.S. Flash

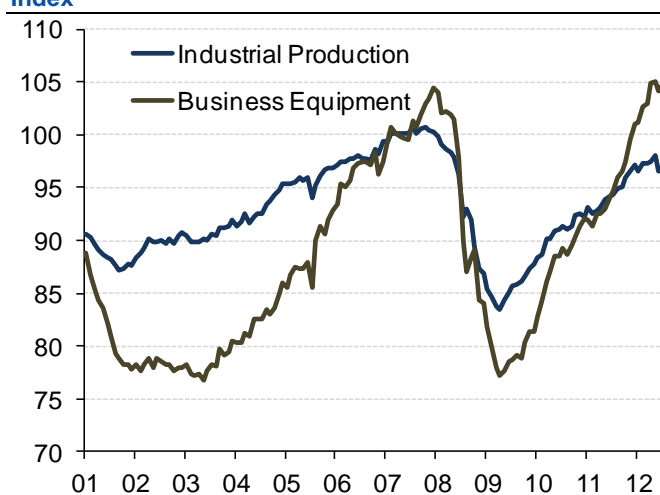
Industrial Production Recovers Only Slightly From Prior Decline

- **Total output rose only 0.4% in September after a 1.4% drop in August**
- **Manufacturing edged up a modest 0.2%, outpaced by mining and utilities**

Industrial production data were only slightly more positive for September after posting declines in August. Total output rose 0.4% for the month but not enough to offset the 1.4% drop in the previous month. All three major components rebounded from declines in August, though the indices still remain below levels seen in July. Utilities output lead the gains at 1.5% while mining increased 0.9%. Manufacturing production increased a very modest 0.2% after falling 0.9% in the prior month. Recent data on the sector have indicated a particularly weak third quarter, with the industrial production component showing a similar story. On average, manufacturing output declined 0.1% per month in 3Q12, the lowest rate in more than one year.

The month-over-month comparison is hard to gauge at this point, as it seems that some of the increase can be chalked up to Hurricane Issac. The Gulf of Mexico's production and manufacturing industries were offline for part of August due to the looming hurricane. By September, the facilities were back online and therefore we might be seeing an augmented spike due to the restart. It is possible that close to 0.3% of the decline in production for August can be attributed to the hurricane, but the overall movement is questionable. Ultimately, we will wait to see the next report to monitor whether revisions change the story. We expect that production will continue to improve gradually as we move along to close out 2012.

Chart 1
Industrial Production Index



Source: Federal Reserve Board

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