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Industrial Production: More Fed Push?

September industrial production rises a mildly more than expected 0.4% (Consensus: +0.2%; Decision Economics: +0.3%), on a 0.2% rise in manufacturing production, a 0.9% rise in mining activity and a 1.5% rise in utility output. Both of the latter solid increases followed on big August declines.

The feeble manufacturing gain, meanwhile, came on the heels of a 0.9% August decline revised to be even worse than the original -0.7%. Some, but not all, of the recent weakness was in motor vehicles--excluding that sector, manufacturing was up 0.4% in September, but after an August decline which revisions worsened to 0.6% from the original 0.4%.

There was no great strength preceding the August weakness, with manufacturing ex motor vehicles up just 0.1% in July after 0.2% in June. Thus, the bulk of the manufacturing sector remains in a state of precarious sideways motion, fully consistent with the sub-50 readings in the ISM new orders index from June through August.

ISM new orders ticked up several points in September--perhaps presaging a net pickup in actual production. But, sustained strength in orders--perhaps heavily enough from domestic sources to offset export weakness--will be necessary to drive any significant output growth.

Fed doves will remain frustrated that ultra-stimulus has not had greater effect in promoting demand for goods. Dudley yesterday spoke of each wave of new stimulus quickly exhausting its capacity to pull durable goods demand forward--seeming to make an argument for an even bigger push ASAP.

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