

US Industrial Production in 3Q26

United States



**Credit
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Industrial production's resilience in 3Q26, attributable to AI, mining, and utilities

In the third quarter, the three-month moving average of U.S. industrial production saw an annualized increase of 2.8% quarter-over-quarter, a deceleration from the 4.8% quarter-over-quarter rise in the second quarter of 2026, as it faced challenges from the Middle East conflict that disrupted supply chains and elevated energy costs. The diminished quarterly growth is attributable to the deceleration seen in the manufacturing industry due to the shrinkage in the cars and components sector. The table below illustrates that the manufacturing sector grew by 1.3% quarter-over-quarter, a deceleration from the 5.8% quarter-over-quarter increase recorded in the second quarter of this year. This might be related to the rise in automobile loan expenses during this period, which affected the demand for durable consumer goods. Consequently, the production of motor vehicles and components decreased by 3.4% quarter-over-quarter.

Figure 1. Evolution of the U.S. Industrial Production through September

Sector	Annual Change		Shorter term change ¹	
	Monthly	Quarterly	m/m	q/q
Manufacturing	1.4%	1.3%	0.3%	1.3%
Durable	3.7%	3.8%	0.1%	3.8%
Motor vehicles and parts	-0.8%	1.0%	-3.0%	-3.4%
Nondurable	-1.1%	-1.4%	0.4%	-1.6%
Mining	2.8%	2.1%	0.2%	5.0%
Utilities	8.7%	5.6%	3.5%	14.8%
Total	2.2%	1.7%	0.7%	2.8%

Source: HR Ratings based on US Census Bureau and FRED data. Seasonally adjusted data.

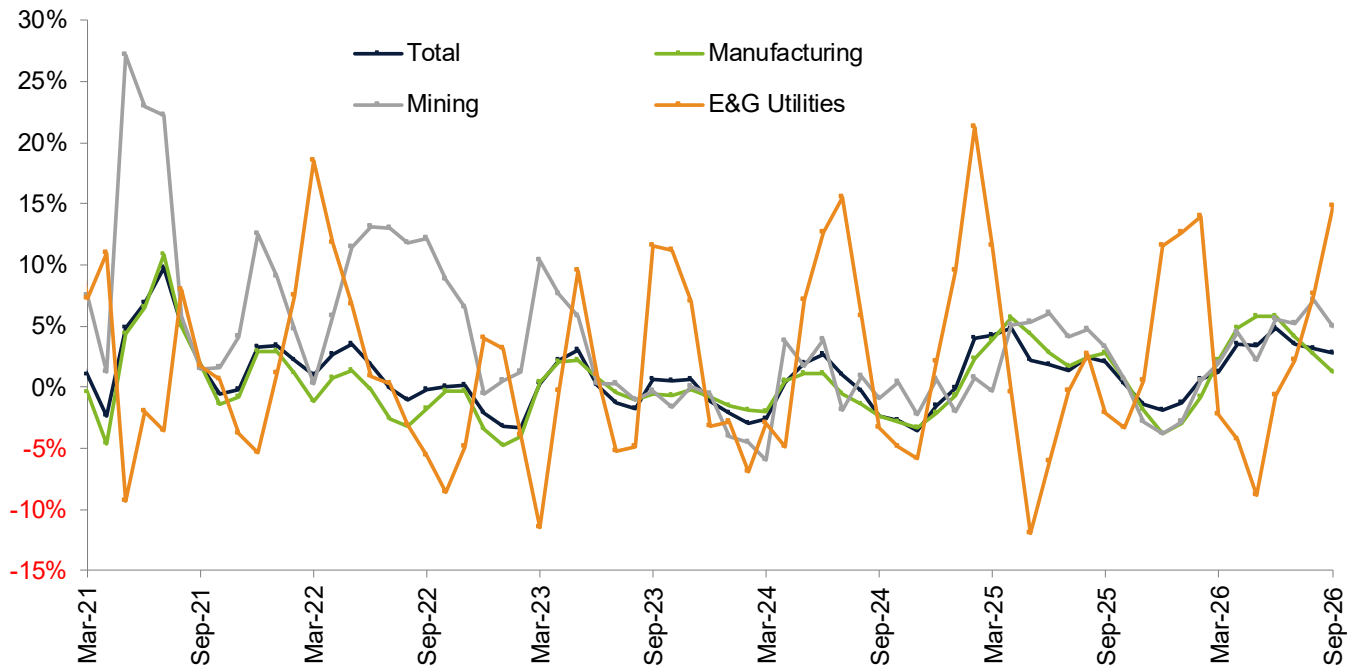
¹ Quarter over immediately prior quarter data are annualized.

The deceleration in manufacturing was not a widespread breakdown due to the surge in Artificial Intelligence, which increased the demand for technological infrastructure. Manufacturing output for durable goods increased at an annual pace of 3.8 percent, partly due to a 28.4% rise in the production of semiconductors and associated electronic components, while nondurable manufacturing output declined by 1.6%. Assuming that investments in artificial intelligence continue, the production of durable products is expected to remain strong. As a result of unprecedented summer temperatures and energy usage by data centers, electricity and gas production increased by 14.8% on an annualized basis in the third quarter. The electric and natural gas sectors are witnessing



quarterly increases of 14.2% and 19.0%, respectively. Consequently, advances in mining and utilities by themselves are insufficient to propel a more substantial overall rise.

Figure 2. Change in Industrial Production by Division (3MMA)



Source: HR Ratings using seasonally adjusted data obtained from FRED (2017 base).

Industrial production experienced a month-over-month increase of 0.7%, representing its most significant rise since last April (+0.8%). Comparable to the quarterly annualized trend, a significant contributor was the utilities sector (3.5% m/m), which experienced its largest increase in nine months. This acceleration was partially attributed to higher electrical consumption in the United States. Simultaneously, mining experienced a slight increase of 0.2% month over month. The manufacturing industry showed a 0.3% growth month-over-month, while the electrical equipment sector rose by 1.3% month-over-month, attributed to AI investments. Ultimately, the production of nondurable items increased by 0.4% month-over-month, ending a two-month period of declines.

HR Ratings consider that in the absence of significant improvements throughout manufacturing; it will be difficult for industrial production to achieve sustained growth at resilient levels for an extended period. This progress will face difficulties as long as the Middle East conflict and other geopolitical instabilities remain, owing to their consequences on supply chains and energy tariffs. As noted, before, even with the strong success in mining and utilities, their share of the total index is insufficient to maintain ongoing momentum.



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