Industrial Production in October 2026

United States

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Industrial production continues to show some cooling due to a slowdown in the manufacturing sector, despite the AI boost related

The three-month moving average of U.S. industrial production for the period ending in October posted an annualized growth rate of 2.0% quarter-over-quarter (q/q, compared to the three-month period ending in July 2026), continuing to cool from the 3.5% q/q pace observed in that prior period. The manufacturing sector—which accounts for roughly 75% of total industrial output—remains the primary drag, recording a modest annualized increase of 0.9% q/q (see Figure 1). Within this sector, durable goods manufacturing has been bolstered by Artificial Intelligence (AI) activities, helping to partially offset a sharp contraction in the automotive industry. Meanwhile, the nondurable goods subsector continues to exhibit subdued performance, growing just 0.4% q/q. Although the mining and utilities sectors have demonstrated resilient gains, the absence of a broad-based manufacturing recovery prevents a more meaningful acceleration in overall industrial production.

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

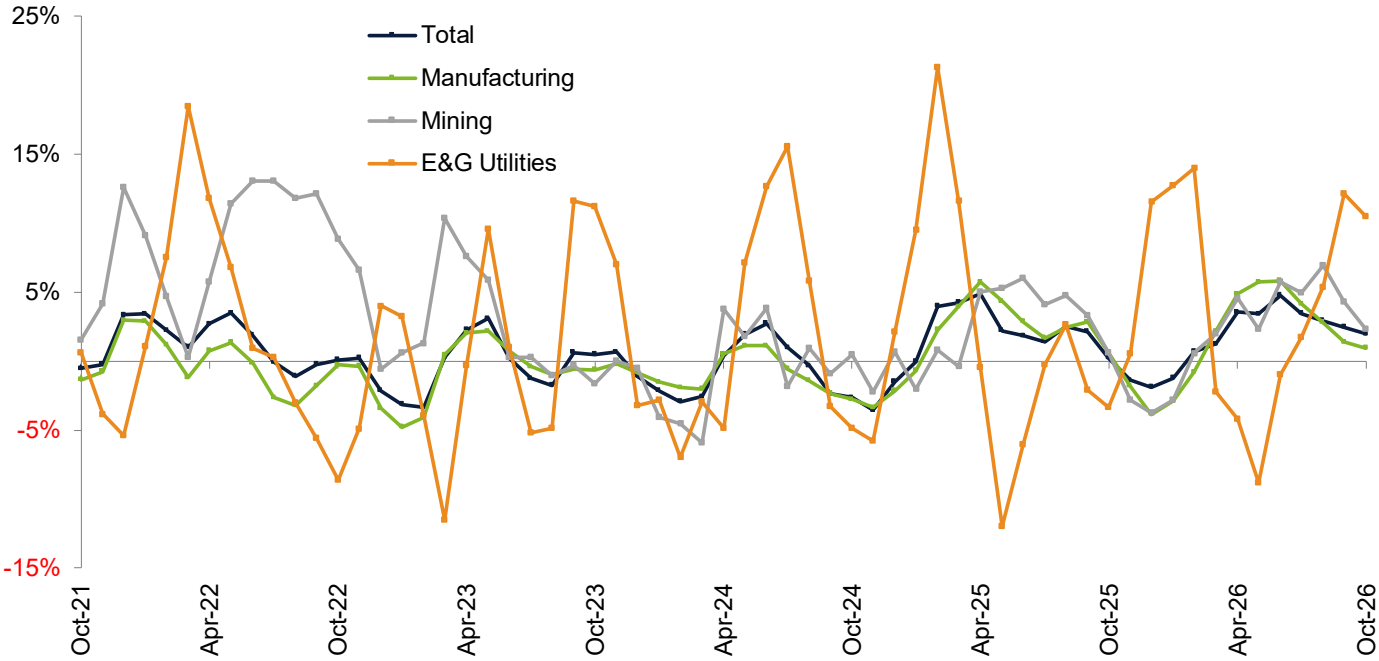
	Annual change		Shorter term change	
Sector	**Monthly**	**Quarterly**	**m/m**	**q/q[1]**
Manufacturing	**2.6%**	**1.7%**	**0.3%**	**0.9%**
Durable	4.8%	3.9%	0.5%	1.4%
Motor vehicles and parts	9.5%	2.4%	4.4%	-4.8%
Nondurable	0.1%	-0.8%	0.0%	0.4%
Mining	**2.4%**	**2.2%**	**-0.8%**	**2.3%**
Utilities	**1.7%**	**4.9%**	**-4.3%**	**10.5%**
Total	**2.1%**	**1.9%**	**-0.4%**	**2.0%**

Source: HR Ratings based on US Census Bureau and FRED data. Seasonally adjusted data.
[1] Quarter versus the immediately preceding quarter, annualized.

Within manufacturing, the durables segment grew by 1.4% q/q, marking a sharp slowdown from the May–July 2026 period (9.5% q/q). One of the primary drags is the motor vehicles and parts subcomponent, which represents roughly 12% of total durables. During the period ending in October, this industry fell 4.8% q/q, largely driven by declines recorded in August and September. Broadly speaking, the U.S. automotive industry has faced headwinds from President Donald Trump's 2025 tariffs on imports of cars, light trucks, aluminum, and steel, as well as temporary interruptions at production plants. In contrast, despite the modest 0.4% q/q growth in the nondurable subsector, it denotes a slight recovery compared to the contraction seen in the quarter ending in July (-1.6% q/q).

The mining sector increased by 2.3% q/q, showing resilience despite a downward trajectory over the last couple of periods, as illustrated in Figure 2. Meanwhile, the utilities sector recorded a 10.5% q/q advance, benefiting in recent months from unprecedented summer temperatures and higher energy consumption by AI-related data centers.

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



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

On an annual basis (y/y), industrial production exhibited signs of recovery in October, registering a 2.1% increase. Within manufacturing (2.6% y/y), durable goods production expanded by 4.8% y/y, bolstered largely by a 9.5% y/y improvement in the motor vehicles and parts industry. The computer and electronic products industry also made a positive contribution, posting an annual growth rate of 7.7%. This component most clearly reflects U.S. capital expenditures (Capex) tied to data centers and AI, which served as the main driver of GDP growth during 3Q26. Notably, nondurable production moved slightly into positive territory (0.1% y/y) for the first time since September 2025. Mining output rose by 2.4% y/y, while utilities moderated their expansion to 1.7% y/y (down from 8.2% y/y in September 2026).

Month-over-month (m/m), industrial production contracted by 0.4%, marking one of the largest monthly drops in the last ten months. The utilities sector pulled back by 4.3% m/m after rising 4.4% m/m in September due to unprecedented temperatures. Manufacturing activity advanced by 0.3% m/m for the second straight month, led by gains in the motor vehicles and parts industry (4.4% m/m), which may reflect a rebound effect following the operational normalization of plants. Additionally, the mining sector declined by 0.9% m/m.

An analysis of how the manufacturing sector has evolved across recent administrations shows that activity recorded a negative annualized change of 0.2% during Barack Obama's presidency (2008 to 2016). Notably, the sector experienced a sharp contraction at the outset due to the Great Financial Crisis, followed by a gradual recovery. Meanwhile, output during President Donald Trump's first administration (2016 to 2020) posted an annualized decline of 1.7%, largely driven by the severe impact of the COVID-19 pandemic. Subsequently, amid the recovery of both the U.S. and global economies, manufacturing grew at an

annualized rate of 0.9% during Joe Biden's presidency (2020 to 2024). Across both administrations combined (2016–2024), manufacturing production fell at an annualized rate of 0.4%. Finally, during President Trump's second term (2025 through 2026 to date), the sector has registered an annualized gain of 2.1% (3Q26 vs. 4Q24), outpacing previous periods. During this timeframe, the boost from AI-related investments stands out as a key factor driving gains of this magnitude compared to the stagnation of prior years.

HR Ratings continues to observe uneven performance across industrial production components, with manufacturing acting as the primary drag on a broad-based recovery. Despite positive results in mining and utilities, their weight within the index is too small to generate enough momentum to reverse the downward quarterly trend seen since mid-2Q26. Even substantial AI-related Capex—concentrated primarily among large U.S. technology companies—has not been enough to sustain an upward trajectory. A key risk going forward is whether growing political opposition to data centers will negatively affect what is arguably the most dynamic sector of the U.S. economy.

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