

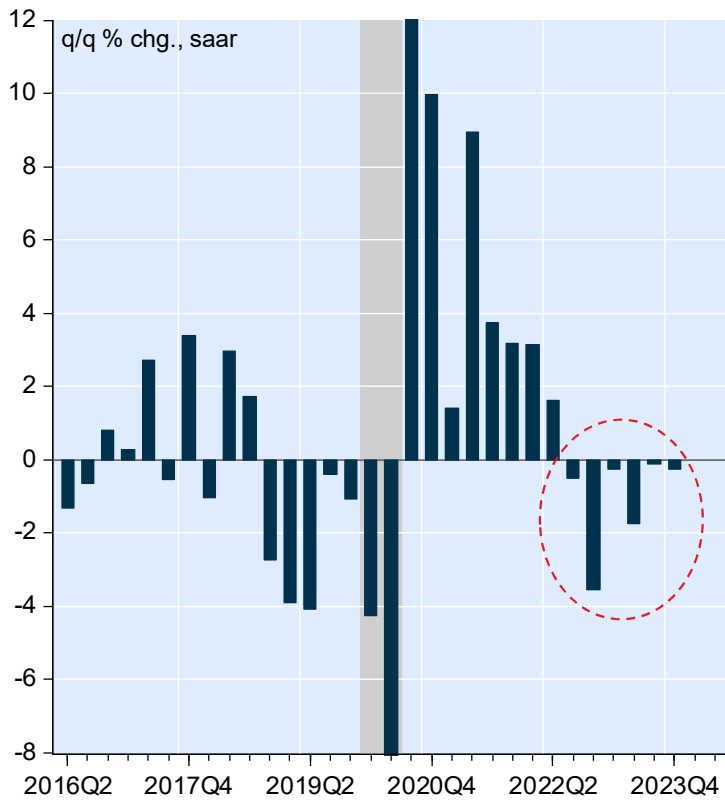
## U.S. Watch

By Jocelyn Paquet

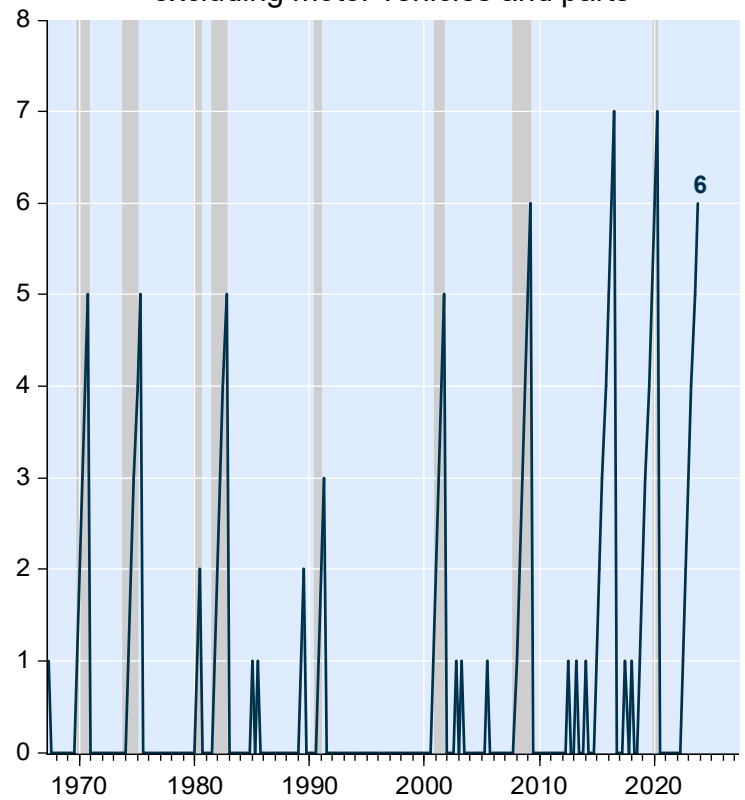
The economic data published today in the United States was generally positive. Retail sales outperformed consensus expectations and hinted at yet another solid contribution to growth from household consumption in the final quarter of the year, a prognosis confirmed a few hours ago by the Fed's Beige Book, which mentioned that "[c]onsumers [had] delivered some seasonal relief over the holidays by meeting expectations in most Districts." But while consumers continued to fly high in the final quarter of 2023, benefiting retailers, other sectors appeared much less vigorous. Of these, manufacturing seems to us to be in particularly bad shape. Excluding the automotive sector, whose production was disrupted by the UAW strike, factory output contracted for a sixth consecutive quarter in Q4. As today's Hot Chart shows, this is one of the longest contractions recorded since these data began to be compiled in the late 1960s. It's also worth noting that, with the exception of 2015-16, such long-lasting contractions have only been observed during recessions. And while we would be cautious to predict an upcoming downturn based on this indicator alone, we must admit that the greater cyclical nature of the manufacturing sector makes it a good leading indicator of the economy as a whole. At the very least, these data suggest that a trimming of factory payrolls may be in the cards for 2024.

### U.S.: Factories going through an extended slump

Manufacturing production excluding motor vehicles and parts, quarterly data



Number of consecutive quarterly contractions in manufacturing production excluding motor vehicles and parts



NBF Economics and Strategy (data via Bloomberg)

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