Industry output falls 1.2 percent

It's the biggest fall in more than 3 years

Associated Press

WASHINGTON — U.S. industrial production fell in August by the largest amount in more than three years as factories produced fewer cars and other manufactured goods and Hurricane Isaac triggered shutdowns along the Gulf Coast.

Industrial production dropped 1.2 percent in August compared to July, the Federal Reserve said Friday. It was the biggest setback since a 1.7 percent decline in March 2009, when the country was in recession.

Manufacturing output, the most important component of industrial production, fell 0.7 percent, led by a 4 percent drop in output at auto plants.

Manufacturing helped lift the U.S. out of the Great Recession, but it slowed in the spring as consumers cut back on spending, businesses invested less in machinery and demand for U.S. exports was hurt by global weakness. Production fell at factories making machinery, computers, airplanes and furniture.

U.S. factory activity shrank for a third straight month in August, according to the Institute for Supply Management's closely watched survey of manufacturing conditions.

Even with the August decline, output at manufacturing plants is still 20.7 percent above the recession low hit in June 2009.