



Economics Group

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Industrial Production Growth Flat in January

Industrial production was unchanged in January, although December production was revised up to a solid 1.0 percent monthly gain. Manufacturing gained 0.7 percent, while utilities and mining declined.

An Unbalanced January Industrial Production Number

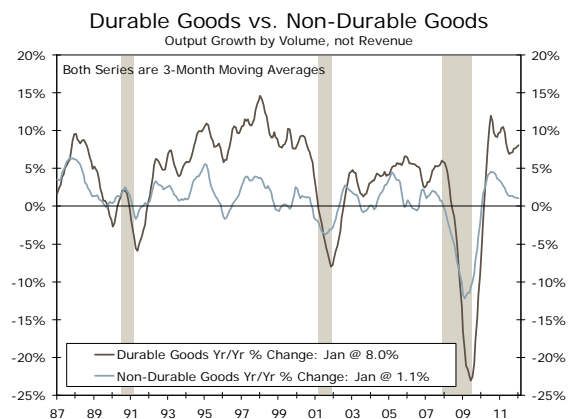
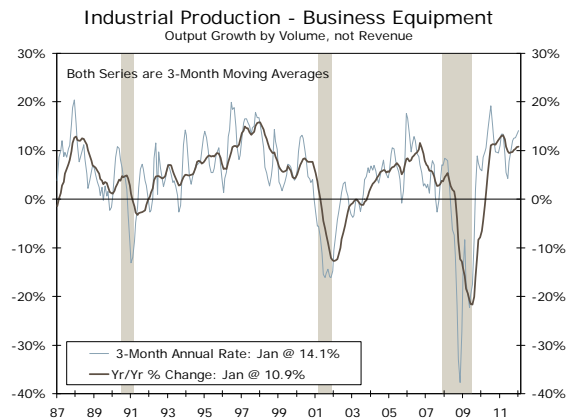
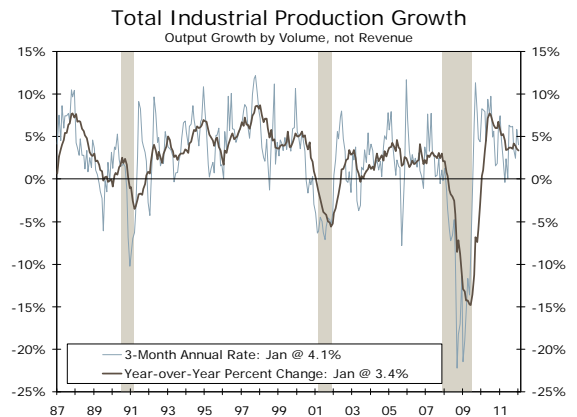
Industrial production growth paused in January following a robust 1.0 percent monthly gain in December. Solid January production gains were seen for motor vehicles, parts, machinery, computers and electronics. Motor vehicles and parts production jumped 6.8 percent in January following a 3.8 percent gain in December. But that was not enough to move the overall industrial production index. Manufacturing excluding motor vehicles gained only 0.3 percent in January, a noticeable drawback from December's 1.3 percent gain. Year-over-year industrial production growth was 3.4 percent in January, suggesting modest but steady U.S. industrial production gains over the past year. The warm weather in January was certainly visible in the utilities component of the index. Utilities production slipped 2.5 percent in January following a 2.4 percent decline in December. The National Climate Data Center shows January 2012 was the fourth warmest January on record. Mining production also fell 1.8 percent in January, though it remained 5.8 percent above year-ago levels.

Strength Still Visible in Business Spending

Despite the softer-than-expected reading on January industrial production, there were still important signs of strength and momentum in components correlated with business investment and spending. Importantly, machinery production gained 2.2 percent in January following a 3.1 percent increase in December. Computer and electronics manufacturing increased 1.4 percent, a noticeable improvement over recent months. Business equipment production is up almost 11.0 percent from a year ago, gaining another 1.8 percent last month. January was the ninth month in a row of gains in this component. Better information processing, industrial equipment and transit production helped boost the business equipment figures in January. Production of business supplies increased another 0.5 percent in the past month adding to December's 0.7 percent gain.

Production of Consumer Goods Still Lagging

Consumer goods production slipped 0.1 percent in January and only managed a meager 0.6 percent gain over the past year. The home electronics sub-component has not fared much better, rising only 1.1 percent from a year ago. Consumer durables production jumped 3.8 percent on stronger production of autos, appliances, furniture and carpeting. Consumer non-durables fell 1.2 percent, as declines were seen in food, tobacco and energy. Production of construction supplies also fell 0.4 percent on the month. Capacity utilization slipped a bit to 78.5 from 78.6. Consensus expectations were for capacity utilization to remain unchanged in January.



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