



# Economics Group

Scott Anderson, Senior Economist  
[scott.a.anderson@wellsfargo.com](mailto:scott.a.anderson@wellsfargo.com) • (612) 667-9281

## Industrial Production Unchanged Again in March

**Industrial production was unchanged in March, the second-consecutive month of zero growth in production, though it was still 5.4 percent higher at an annualized rate than in the fourth quarter of 2011.**

### The Pause That Refreshes? Or Something More?

Industrial production for March once again came in weaker than expected, remaining unchanged on the month just as it did in February. The March number would have been worse had it not been for utilities production, which jumped 1.5 percent. Manufacturing production declined 0.2 percent on the month, but manufacturing was coming off two-consecutive months of strong gains, rising 1.1 percent in January and 0.8 percent in February. Durable goods manufacturing also slipped 0.2 percent, with declines in primary metals and furniture production, but gains in motor vehicles and machinery.

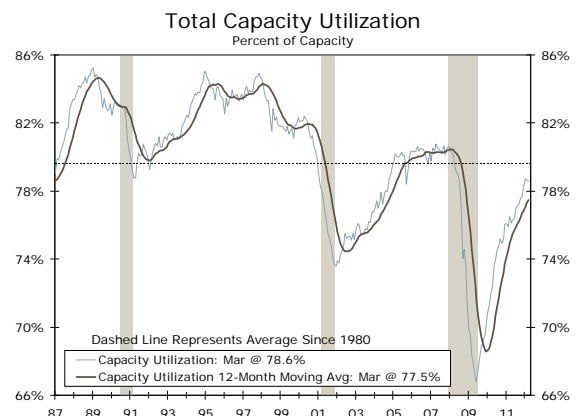
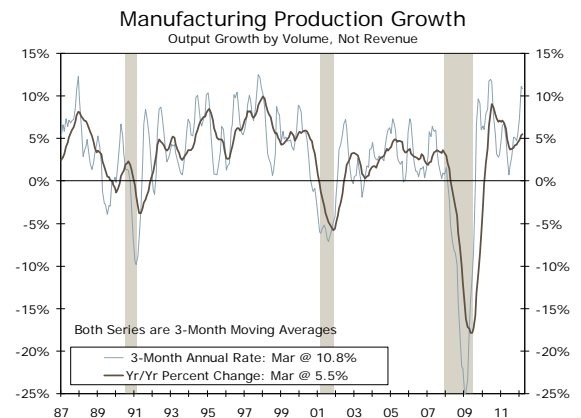
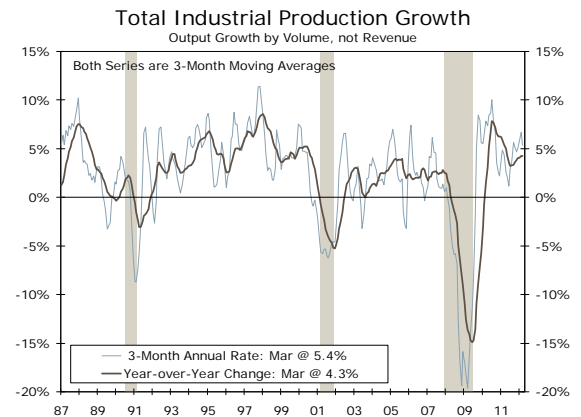
We have had more volatility than usual in industrial production lately due to the warmer-than-average spring that impacted the utilities component. It is important not to read too much into the recent bout of industrial production weakness. Looking at the annualized increase between the fourth and first quarters probably gives you a truer picture of the ongoing industrial production expansion. Despite the lack of industrial production growth over the past two months, the annualized increase in industrial production in the first quarter was a respectable 5.4 percent, and the manufacturing increase was even more impressive, rising at a 10.4 percent annualized pace. Durable manufacturing advanced in the first quarter at a sizzling 15.6 percent annualized pace. Motor vehicle and parts production was a big part of the advance in durable manufacturing, increasing at nearly a 40 percent annualized rate in the first quarter.

### Production Gains Continue For Business Equipment

There were only a few product groups that managed to increase production in March. Importantly, business equipment production increased another 0.2 percent in March. While this was the smallest monthly increase since June of last year, it builds on solid gains in January and February. Business equipment production increased at a 15.9 percent annualized rate in the first quarter. Production declines occurred in construction supplies, consumer goods and non-industrial supplies in March. Construction supplies production managed to increase at an 11.5 percent annualized pace in the first quarter, although it is still 20 percent below its precession peak.

### Capacity Utilization Slips

The lack of industrial production growth over the past two months allowed capacity utilization to slip a bit in March to 78.6 percent from 78.7 percent, where it has stood since the beginning of the year. Manufacturing capacity fell to 77.8 percent from 78.0 percent in February. Capacity utilization of finished goods fell to 78.5 in March from 78.8. Both mining and utilities saw capacity utilization rise on the month.



## Wells Fargo Securities, LLC Economics Group

Diane Schumaker-Krieg	Global Head of Research & Economics	(704) 715-8437 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 374-7034	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 383-5635	mark.vitner@wellsfargo.com
Jay Bryson, Ph.D.	Global Economist	(704) 383-3518	jay.bryson@wellsfargo.com
Scott Anderson, Ph.D.	Senior Economist	(612) 667-9281	scott.a.anderson@wellsfargo.com
Eugenio Aleman, Ph.D.	Senior Economist	(704) 715-0314	eugenio.j.aleman@wellsfargo.com
Sam Bullard	Senior Economist	(704) 383-7372	sam.bullard@wellsfargo.com
Anika Khan	Senior Economist	(704) 715-0575	anika.khan@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 383-6805	azhar.iqbal@wellsfargo.com
Tim Quinlan	Economist	(704) 374-4407	tim.quinlan@wellsfargo.com
Ed Kashmarek	Economist	(612) 667-0479	ed.kashmarek@wellsfargo.com
Michael A. Brown	Economist	(704) 715-0569	michael.a.brown@wellsfargo.com
Joe Seydl	Economic Analyst	(704) 715-1488	joseph.seydl@wellsfargo.com
Sarah Watt	Economic Analyst	(704) 374-7142	sarah.watt@wellsfargo.com
Kaylyn Swankoski	Economic Analyst	(704) 715-0526	kaylyn.swankoski@wellsfargo.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Advisors, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2012 Wells Fargo Securities, LLC.

### Important Information for Non-U.S. Recipients

For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited (“WFSIL”). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Services Authority. The content of this report has been approved by WFSIL a regulated person under the Act. WFSIL does not deal with retail clients as defined in the Markets in Financial Instruments Directive 2007. The FSA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, not will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients. This document and any other materials accompanying this document (collectively, the “Materials”) are provided for general informational purposes only.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

