



Economics Group

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Industrial Production Accelerates in April

Industrial production increased 1.1 percent in April, after slipping a downwardly revised 0.6 percent in March. Annual benchmark revisions revealed a slightly weaker path for production over the past few months.

Industrial Production Shows Signs of Life in April

Industrial production increased a stronger-than-expected 1.1 percent in April, though annual benchmark revisions showed a slightly weaker path for industrial production over the past three months. Industrial production growth in January was revised down by one tenth of a percent, and March industrial production declined 0.6 percent compared to the initially unchanged reading reported last month. However, February industrial production was revised a bit higher to a 0.4 percent gain from an originally reported unchanged reading. Overall, the U.S. industrial production expansion remained intact through April, which should bolster confidence about a sustained U.S. economic recovery. Industrial production growth from a year ago accelerated to 5.2 percent and production is now 97.4 percent of its 2007 average.

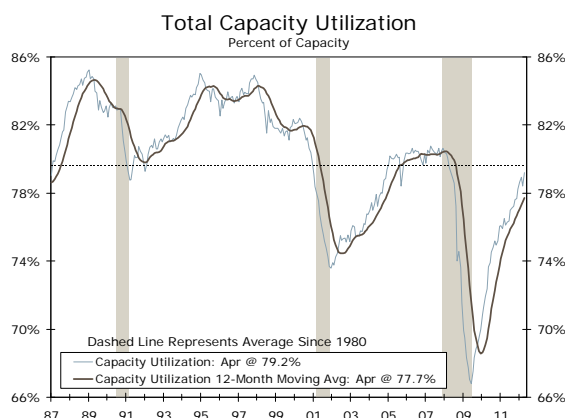
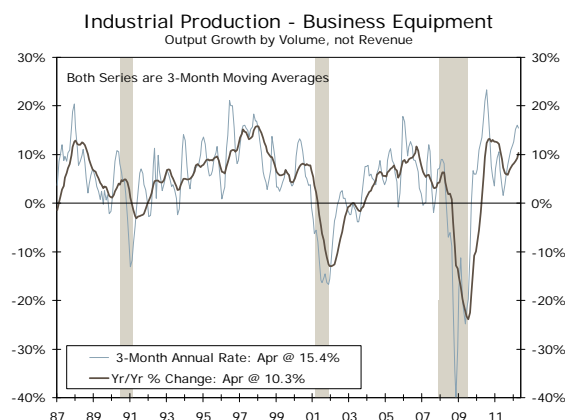
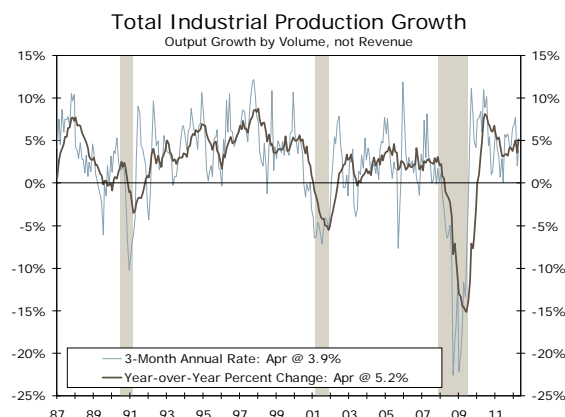
Manufacturing production increased 0.6 percent in April, more than offsetting a 0.5 percent decline in March and adding to strong advances in January and February. Motor vehicles and parts led the way, increasing 3.9 percent in April. Excluding motor vehicles, manufacturing production advanced at a 0.3 percent pace, helped by a solid 1.6 percent monthly production advance in computer and electronics. Machinery production looked a little weaker, with growth slipping to a modest 0.1 percent in April. However, this must be put into perspective, since machinery production is still nearly 10.0 percent higher than it was a year ago. Utilities production added a significant boost to the big industrial production number for April, increasing 4.5 percent on the month, with a 17.0 percent increase in natural gas production and a 3.0 percent gain in electricity production; an unusually warm winter held down energy demand for heating in the first quarter. Mining was up 1.6 percent in April.

Production Gains Continue for Business Equipment

Strong gains in production of business equipment, up 1.5 percent in April, and business supplies, up 1.4 percent, show that businesses continued to invest at the start of the second quarter. Consumer demand for autos and home electronics boosted production in those areas in April. Production of construction supplies were flat on the month, contrary to the increases we are seeing in housing starts.

Capacity Utilization Increases

Capacity utilization jumped to 79.2 percent in April, more than 3.1 percentage points higher than a year ago, though still about 1.1 percentage points below its long-run average. Higher capacity utilization is good news for manufacturing profits and increases the chance of more hiring and capital investment in manufacturing. In short, we still appear to be inching our way toward a more normal manufacturing environment.



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