



Economics Group

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Utility Output Slows the Increase in Industrial Production

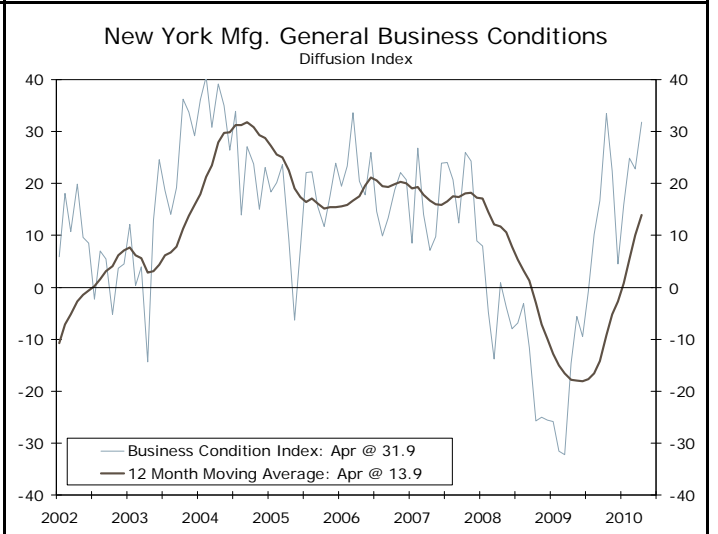
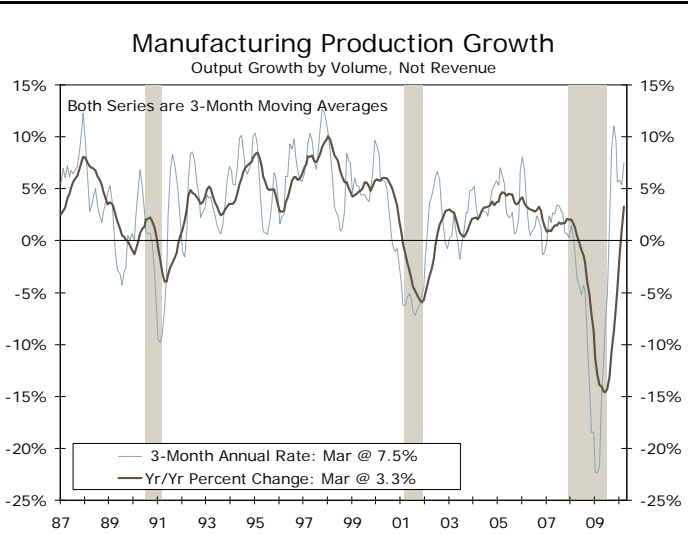
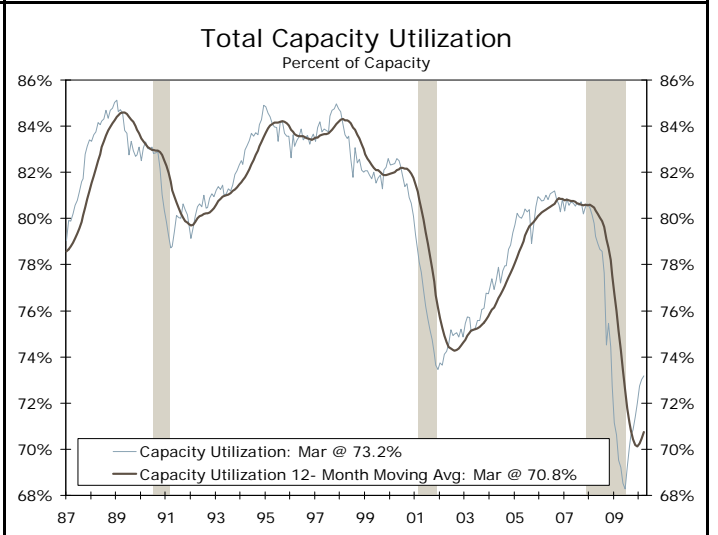
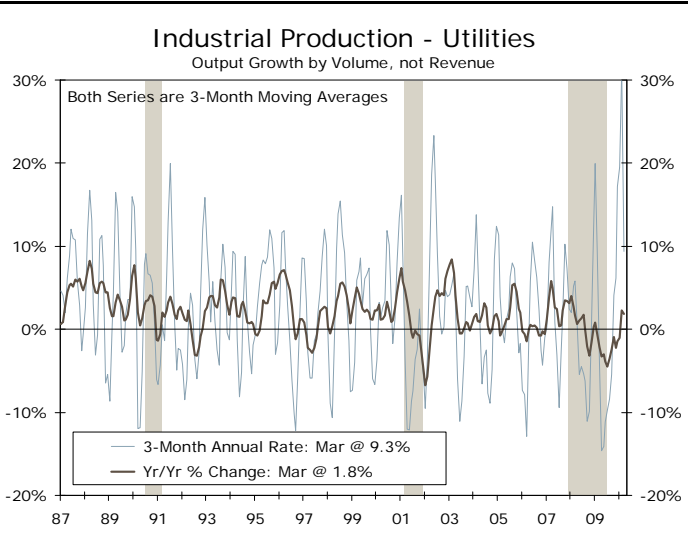
Industrial production increased only 0.1 percent in March—well short of the 0.7 percent gain that had been expected. A warm March curtailed demand for utilities which weighed on overall production.

The Tail that Wags the Dog

- Although it comprises less than 12 percent of total output, utility production has been the X-factor in recent reports on industrial production. An exceptionally cold winter followed by an unseasonably warm spring resulted in a 6.4 percent decline in utilities output, the sharpest drop in more than four years. Manufacturing output was strong, increasing 0.9 percent for the month as the manufacturing recovery continues.

Capacity Utilization not yet a Concern, Empire Strong

- Capacity utilization has climbed 4.9 percentage points since bottoming in June 2009, but remains low by historical standards and does not yet pose a risk for higher inflation.
- In a separate release this morning the Empire Manufacturing Index rose to 31.9. The regional survey of New York area manufacturing activity showed gains in new orders, shipments, number of employees and average workweek.



Source: Federal Reserve Board, Federal Reserve Bank of New York and Wells Fargo Securities, LLC

Wells Fargo Securities, LLC Economics Group

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