

US industrial production slides again

By Alan Rappeport in New York

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US industrial production fell for the fourth month running in February, dropping by 1.4 per cent on weak factory and manufacturing output as global demand has continued to erode.

The monthly decline was slightly worse than expected and was driven lower by warmer temperatures across the US, which slowed the output of utilities. Industrial output was off by 11.2 per cent compared with the same month in the prior year and fell to its lowest level since 2002 last month, the Federal Reserve said on Monday.

"There is no relief in sight as inventories rocket and exports plunge," said Ian Sheperdson, chief US economist at High Frequency Economics.

Economists expected industrial production would fall by 1.3 per cent last month after a revised 1.9 per cent decline in January. Output has declined in 10 of the last 12 months.

Utility output was down by 7.7 per cent in February after rising by 2.6 per cent in January. Mining fell by 0.4 per cent and manufacturing was off by 0.7 per cent, its best showing in four months.

Blunting the manufacturing decline was a surprising bounce in car production, which rose by 10.2 per cent last month after plunging 24.7 per cent in January, as stalled plants reopened.

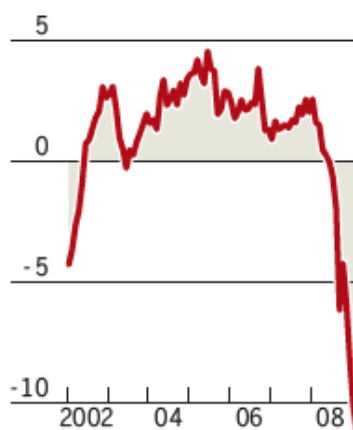
"Manufacturing has been severely pressured by a collapse in global trade and inventory liquidation" economists at RDQ Economics wrote in a note to clients. "It is far too soon to say that the pressures on manufacturing are easing."

Meanwhile, the capacity utilisation rate, a measure of the proportion of plants in use, across all industries fell one point to 70.9, matching the record low last seen in 1982. Investment in business equipment fell again last month, dropping by 1.3 per cent and signalling that the decline in business investment will continue to worsen.

"An increasingly constrained consumer, deepening woes for the housing sector, and a need to pare inventories will all continue to weigh heavily on domestic demand," said Joshua Shapiro, chief US economist at MFR.

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US industrial production
Annual % change



Source: Thomson Datastream