

## U.S. Industrial Production and Capacity Utilization — February Gearing Down

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**Bottom Line:** After a strong run last year, U.S. factories are gearing down for a slower economy.

U.S. **industrial production disappointed with a slight 0.1% advance** in February. While January's big decline was revised smaller, it's still down 0.4%. After trending higher last year, manufacturing has turned tail, falling 0.4% after a 0.5% slide in January (though this was revised up from -0.9%). Machinery production dove 1.9%, reversing an upward trend, while construction supplies and autos were also on the skids. Providing an offset was a 0.3% gain in mining, led by record oil production, though this sector has slowed from last year. As well, utilities demand sparked 3.7% due to the cold-snap.

The capacity utilization rate slipped to 78.2%, keeping a tight lid on inflation pressures.

A near two-year low in the Empire State manufacturing index doesn't inspire confidence in a snappy rebound for the sector, though an upturn in January core capital goods orders offers some hope. We still look for just 1.2% GDP growth in Q1.



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