**UNITED STATES**

**Slight pullback by industrial production**

**HIGHLIGHTS**

- Industrial production slipped by 0.1% in January, after increases of 0.4% in December and 1.4% in November.
- Manufacturing production faltered by 0.4% after a gain of 1.1% in December and a 1.7% jump in November.
- Activity in the mining sector flagged by 1.0%, while utilities rose by 3.5%.
- The industrial capacity utilization rate dipped from 79.3% to 79.1%.

**COMMENTS**

After the problems caused by Hurricane Sandy in October, manufacturing production surged in the last two months of 2012. January presents a slight pause after that healthy performance. It therefore comes as no surprise, and the decline in hours worked during the previous month suggested a slump in production, although the consensus was hoping for another increase.

The drop in manufacturing activity comes mainly from the automotive sector, where production tumbled by 3.2% in January, the sharpest decline since August 2012. It was mainly truck assembly that lost ground in January. If we exclude the automotive sector, the downturn in manufacturing was just 0.1%. This shows, though, that other sectors were also sluggish; this was the case for metallurgy, electronic and computer products, electrical equipment and chemical products.

The vagaries of the weather have a great impact on changes in energy production. After an abnormally warm December, when energy production sank by 4.5%, a return to more normal winter temperatures generated a surge of 3.5%. That increase should also show up in January’s personal service consumption, providing support to real consumption growth in this early part of 2013.

**Implications:** The performance by industrial production in January is below what the consensus was expecting, but it was foretold by the weakness in hours worked. It essentially constitutes a pause in an upward trend, which should continue in 2013.