UNITED STATES

Industrial output and inflation jumped in February

HIGHLIGHTS

- In February, industrial production rose 0.7% after stagnating in January. Manufacturing output jumped 0.8% after January’s 0.3% retreat. Mining activity fell 0.3%, while energy production increased 1.6%.
- The consumer price index (CPI) advanced 0.7% in February after two months of stagnation. Energy prices jumped 5.4%, while food prices went up 0.1%. The core index, which excludes food and energy, rose 0.2% in February after posting an increase of 0.3% in January. Year over year, the total CPI went from 1.6% to 2.0%. Core inflation is also at 2.0%.

COMMENTS

In February, industrial production posted solid growth after a disappointing January. Several of the sectors that had underperformed in the first month of the year jumped in February, e.g. computer, electrical and chemical products and, in particular, automobiles. For the latter, February’s 3.6% rise follows a tumble of 4.9% in January, making a 0.2 percentage points contribution to growth by industrial production. Note, however, that manufacturing output has been highly volatile over the last year, and has not posted three consecutive months of growth. The recent trend still seems better, thanks in particular to the post Hurricane Sandy rebound.

After stagnating or dropping for three months, the consumer price index posted a sharp upswing in February. Gas prices are mainly responsible for the jump: they had fallen for the four previous months but, in February, posted their strongest monthly growth since June 2009, at 9.1%. Outside of energy, there is some weakness in prices for goods, with clothing and new vehicles even pulling back. Service prices (excluding energy) rose 0.2%, just as in January.

Implications: The rise by gas prices should not last too long; already, March is seeing some slight dips. The impact on the monthly change in CPI should thus wane quickly, allowing inflation to deflate. For industrial output, a more sustainable uptrend would be good.

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