Economic News

UNITED STATES

Manufacturing disappoints

HIGHLIGHTS

- Industrial output retreated 0.5% in April after a 0.3% increase in March.
- Manufacturing output fell 0.4% following March’s 0.3% pullback. Mining activity advanced 0.9%, while energy production tumbled 3.7%.
- The industrial capacity utilization rate went from 78.3% to 77.8%.

COMMENTS

The news on the U.S. manufacturing sector remains disappointing. April is the third month in 2013 to record a drop in output. The contraction contrasts with the forecast consensus, which had been calling for a very small uptick. Yet, several signs pointed to some softness, including April’s decline by hours worked.

The tumble in output by energy suppliers is not very surprising, despite its extent. It follows on March’s 6.4% jump, triggered by strengthened demand for heating during colder than normal weather. Greater stability is expected in the next few months.

The pullback by manufacturing production is widespread. The automotive industry, metallurgy and machinery show substantial declines. The only increases were recorded in electronics, food, chemicals and plastic products.

The signs for the manufacturing sector are worrisome. Production was lower in April than it had been in December. The stagnation, which reflects the recent retreat by the ISM manufacturing index, could persist according to some regional indicators, including the New York Fed’s Empire index, which dropped back into negative territory in May.

Implications: The third drop by manufacturing output in four months can only be disappointing. It suggests that the U.S. economy continues to struggle. It is one more sign that real GDP growth could be slower in the second quarter than in the first.