

# U.S. Flash

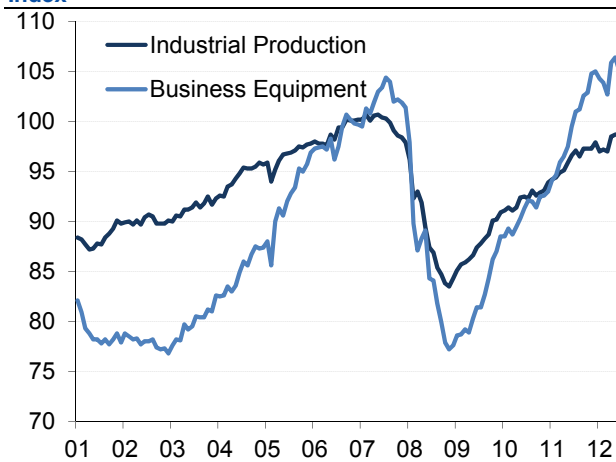
## Industrial Production Rose On Strong Manufacturing Growth

- Output increased 0.7% in February after January's figure was revised up to 0.0%
- Manufacturing rebounded 0.8% after a decline in the prior month
- Capacity Utilization jumped 0.4% to 79.6% as manufacturing gains momentum

Industrial production (IP) showed modest strength in February, rising by 0.7% after a negative decline in January was revised upward to show no change. Its highest monthly increase in 3 months, IP rose on solid footing from manufacturing gains in both durable and non-durable production. Focusing on durable goods, wood, nonmetallic mineral and fabricated products all rose by more than 1.6% while primary metals saw a 2.6% decline, its largest fall since August 2012. Machinery grew 1.7% continuing its steady increase since late last year while computer and electrical equipment both rose after declines in the month prior. Aerospace equipment remained flat primarily due to the lack of private demand on the calendar after a recent launch of a shuttle in February. Furniture manufacturing grew 1.7% and miscellaneous production rose by 0.7%. The mover in durable goods was motor vehicles which resurged in February rising 3.6% after declining in January by 4.7%. Nondurables also rose after the decline in January, up 0.4% on a significant increase in petroleum and coal products which rose 1.5%. Mining continued its decline since last November, falling 0.4%. Electric and gas utilities weathered the prior months and rose 1.6% in February with electric power generation growing by 1.4% and natural gas distribution rising by 3.5%. This widespread increase in production is further evidenced by the rise in utilization by 0.4% to 79.6% which is pre-recession territory.

Manufacturing is showing signs of growth as durable goods grew in most components and nondurable production fared well. Motor vehicle production continues to be the strong component of durable goods and with its robust turn around after a deep decline in January, it seems likely to grow further as demand remains strong. In terms of nondurable production growth is moderate and, as expected, relatively wide spread. Overall production has made a strong return in February and we anticipate continued growth in March as long-term expectations from Federal Reserve surveys look optimistic.

Chart 1  
**Industrial Production Index**



Source: Federal Reserve Board

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