Economic Analysis
15 May 2013

U.S. Flash

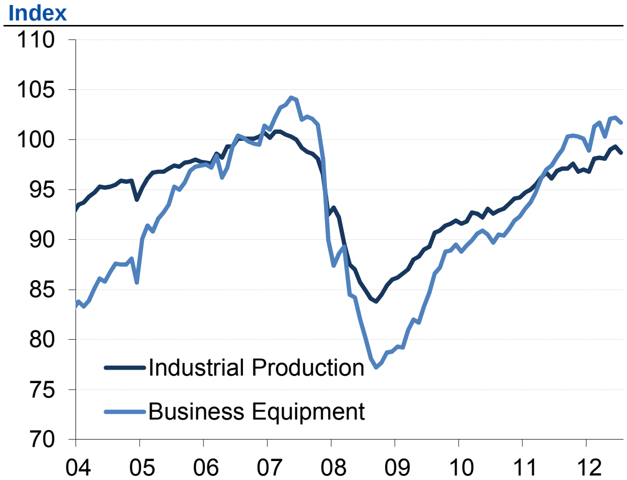
Industrial Production Falls as Utilities and Autos Decline

- **Total output in April decreased 0.5% following a modest 0.3% gain in March**
- **Headline manufacturing declined 0.4% as both durable and nondurable goods slowed**
- **Utilities declined at a startling pace as better weather shifted demand**

Industrial production declined heavily as the utilities and manufacturing components yet again played havoc with the headline series. Down 0.5% in April, the industrial production index saw across the board declines but was pushed down most predominantly by a sharp fall in utilities output as demand shifted due to more accommodative weather. The energy goods index was also evidence of this moderating trend as the series declined 3.1% after two consecutive months of 1.3% gains. Stepping outside of utilities and energy, manufacturing production continued to show an overall slowdown, down 0.4% following a 0.3% decline in March. By market group, consumer goods production declined 0.6% as durable goods fell due to a decline in auto production and appliances. Auto demand has been a bit volatile in the past few months, so it is not surprisingly that production fell 0.8% after substantial gains in February and March. Nondurables also declined based primarily on the aforementioned energy component rather than the nonenergy, which actually increased 0.4%. Nonindustrial supplies also showed signs of weakness as the construction supplies component declined for the second straight month, down 0.8%. This is not surprising given the recent ISM and other manufacturing data for the month, and leading Federal Reserve surveys suggest that this slower trend could continue into May as well.

Mining seemed to be the one bright spot throughout the report, rising 0.9% as the series continues its upward trend despite the decline in commodity prices. Capacity utilization also declined to 77.8% which is in line with the overall slowdown throughout the industry. Overall, industrial production declined at a stronger pace than expected and with the sentiment pointing toward a continuing slowdown in the manufacturing sector, it is unlikely we will see much of a reversal in the coming months, barring any fluctuations in utilities. This supports our current baseline expectations for slight moderation in 2Q13 before growth accelerates again throughout the second half of the year.

Chart 1
Industrial Production
Index



Source: Federal Reserve Board

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