

Industrial production drops more than expected

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WASHINGTON (AP) — Industrial production fell for the fifth straight month in March, the government said Wednesday, as companies cut output in order to clear stockpiles of goods.

But economists expect that trend to moderate soon, as businesses bring inventories in line with slower sales. That should allow production to decline at a slower pace in the current quarter.

Still, the drop in March was steeper than expected. The Federal Reserve said production at the nation's factories, mines and utilities dropped a seasonally adjusted 1.5 percent, matching February's decline and worse than the 1 percent decline analysts forecast.

Factories and mines are increasingly idle, as the total industrial capacity utilization rate fell to 69.3 percent from 70.3 percent, the lowest on records dating to 1967.

Industrial production fell at a 20 percent annual rate in the first quarter, the Fed said, the sharpest quarterly downturn of the current recession. The drop will contribute to another steep contraction in the overall economy in the January-March period that economists estimate will be in the 4 to 5 percent range. The nation's economy shrank 6.3 percent in the fourth quarter of last year.

Some analysts expect industrial production to fall at a rate of less than 10 percent in the current quarter, as the economy's contraction slows.

Manufacturing output fell 1.7 percent in March, the Fed said, and has fallen for five consecutive quarters. The factory utilization rate dropped to 65.8 percent, the lowest on records dating to 1948.

A 3.6 percent drop in electronic goods production, as well as declines in appliance, furniture and carpet manufacturing drove the reduction, the Fed said.

Auto industry production rose 1.5 percent, the second straight increase after a steep fall in January. Sales for General Motors Corp., Ford Motor Co. and other automakers are down sharply compared with a year ago, but rose 25 percent in March compared with February.

Gas and electric utilities increased output 1.8 percent in March, after warmer-than-usual weather caused a steep 7.7 percent drop in February.

Still, the overall production cuts are leading to layoffs. ArcelorMittal SA, the world's largest steel maker, this week said it will idle a plant in Indiana and lay off about 400 workers.

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