

U.S. Factory Output Drops After 3 Months Of Gains

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WASHINGTON (AP) — U.S. factory production fell in March after companies made fewer electronic products, steel and other metals. But the decline followed three months of strong manufacturing gains.

The Federal Reserve said Tuesday that factory production dropped 0.2 percent last month. Still, for the first three months of this year, manufacturing output rose at an annual rate of 10.4 percent. The gain was led by a nearly 40 percent increase production of motor vehicles and parts.

Overall industrial production was flat in March, the second straight month of no gain. A big 1.5 percent jump in output at utilities was offset by the weakness in manufacturing. Output at the nation's mines edged up 0.2 percent.

Economists downplayed the March dip in manufacturing output. They noted that February factory output was revised up from an initial estimate of 0.3 percent to a 0.8 percent increase.

"The slowdown in manufacturing is something to watch but given how fast production had been growing, a pause that refreshes is not a surprise," said Joel Naroff, chief economist at Naroff Economic Advisors.

Manufacturing represents the largest segment of industrial production. It has risen 18 percent from its recession low from June 2009 and remains just 6.4 percent below its pre-recession peak, reached in December 2007.

In recent months, factories are benefiting from rising consumer confidence and a better job market.

Retail sales rose 0.8 percent in March, the Commerce Department said Monday. The gain capped a strong quarter for retail spending, which is contributing to a brighter outlook among economists for growth in the January-March quarter.

Businesses have responded to the higher sales by restocking at a steady pace, a sign that they expect the trend to carry over into the spring.

Larger stockpiles require businesses to order more goods. That leads to more factory production, which boosts growth.

Economists are anticipating annual growth of between 2.5 percent and 3 percent in the January-March quarter. The government issues its first estimate for first-quarter growth on April 27.

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Busier factories have also helped boost hiring.

Manufacturers added 37,000 jobs in March and 120,000 so far this year.

The economy has added an average of 212,000 jobs per month in the first quarter. That has helped lower the unemployment rate from 9.1 percent in August to 8.2 percent in March, the lowest level since January 2009.

Still, stronger hiring hasn't translated into higher salaries. Americans' pay isn't keeping pace with inflation. That, along with higher gas prices, could restrain consumer spending later this year. Europe's debt crisis could also weaken demand for U.S. exports, which slows manufacturing output.

Consumers are seeing some relief at the pump. Gas prices rose more slowly last month, according to a government report released last week. And in the last two weeks, prices are showing signs of leveling off.

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