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Industrial Production

February industrial production undershoots expectations, holding flat (Consensus: +0.4%; Decision Economics: +0.5%), though at a January level revised up by 0.3%.

In February, manufacturing production rose a more in-line 0.3%, while utility output was steady and mining activity fell 1.2%. The upward revision to January reflected a 0.3% upward restatement of manufacturing production in that month (now showing a 1.1% rise from December, instead of 0.7%).

Motor vehicle output swung sharply between January (+8.6%) and February (-1.1%); excluding that sector, manufacturing grew 0.4% in February, after a 0.6% rise in January, a 1.3% gain in December, and a flat November result.

The big manufacturing slowdown was in non-durables, which rose 0.1% in February, after a flat January performance, and a 1.5% jump in December. So far, the deceleration looks to be a payback for the December rise, with individual industries turning in relatively strong performances in either January or February.

For the moment, and probably without hesitation, Fed analysts will regard these results as reflecting a cautious, but roughly steady-as-you-go, manufacturing expansion--on the basis of the ex-motor-vehicles increases.

There is no indication of any new threat in the numbers. February would probably not have reflected the full brunt of the production-side disruption from sharply higher oil prices--though manufacturers are surely benefitting--and refitting--in the favorable natural-gas price environment.

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