

United States

Industrial sector on course for flat first quarter

- **Modest 0.2% February rise in manufacturing output offset by steep fall in utilities**
- **Industrial production down 0.5% in February after 0.8% rise in January**
- **Data follow disappointing retail sales numbers**

US factory output rose slightly in February, according to official data from the Federal Reserve. But the overall rate of expansion remains disappointingly lacklustre, mirroring downbeat survey data and adding to the picture of a struggling economy so far this year.

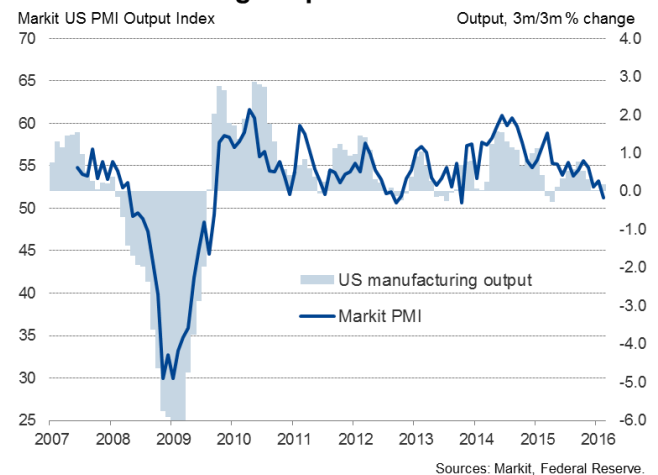
Factories produced 0.2% more than in January, building on a revised 0.8% rise at the start of the year. The upturn raises the possibility of production expanding in the first quarter after stalling in the final three months of last year. So far, output is running 0.4% higher than in the fourth quarter. However, this still represents only a meagre 1.7% annualised pace of expansion, highlighting how producers continue to struggle in the face of waning global demand and the strong dollar.

Adding to the concern was a 0.5% drop in industrial production in February, as rising factory output was offset by energy sector losses. Utilities output fell 4.0%, almost entirely reversing a 4.2% leap in January.

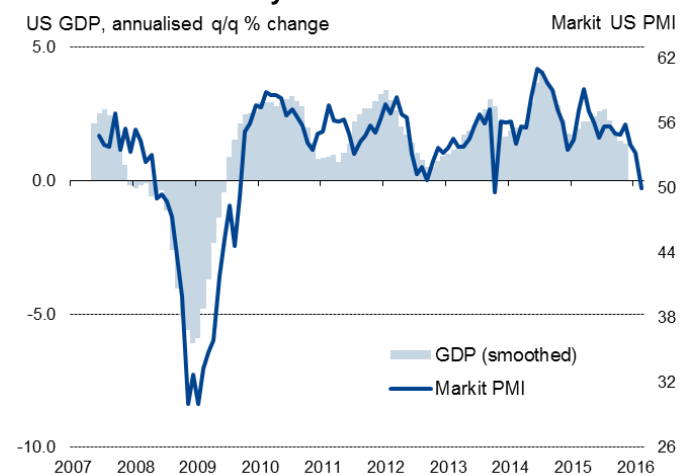
The industrial sector as a whole is therefore on course for a flat first quarter. When combined with the mere 0.2% rise signalled for recent [core retail sales](#) data, the industrial malaise adds to suggestions that the pace of economic growth could disappoint in the first quarter compared to widespread expectations among analysts of 2-2.5% annualised growth.

Markit's PMI surveys, which provide a reliable advance indication of economic growth, have also indicated a poor start to the year. Growth weakened further in February after having already slowed in January as problems spread from manufacturing to services, raising the possibility of a stalling of the economy.

US manufacturing output v Markit PMI



Markit US PMI surveys v GDP



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