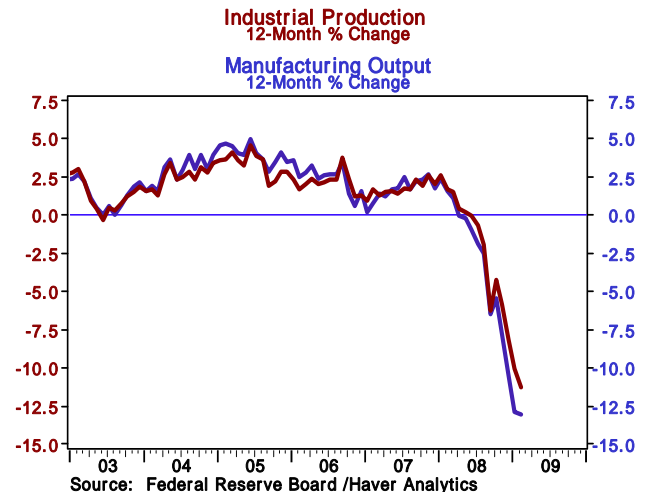


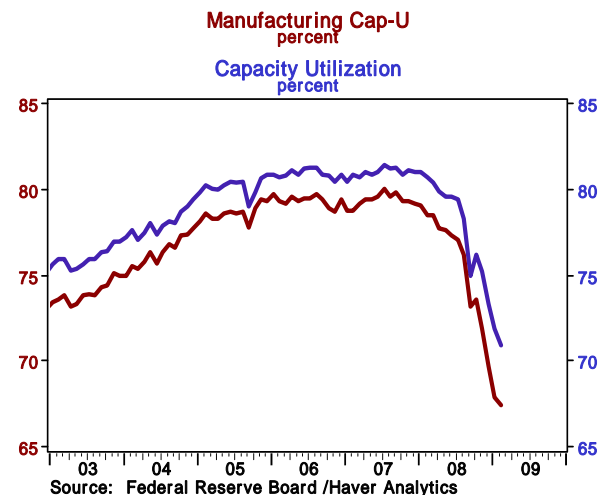
FEBRUARY INDUSTRIAL PRODUCTION / CAPACITY UTILIZATION

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- Industrial production declined 1.4% in February versus a consensus expected -1.3%. Production is down 11.2% versus a year ago.
- Manufacturing output fell 0.8% in February. Motor vehicle/parts production increased 10.2% but output in the rest of the manufacturing sector declined 1.2%. Manufacturing output is down 13.2% versus a year ago.
- The production of high-tech equipment fell 3.4% in February but was revised up substantially for previous months. High-tech output is down 13.5% versus last year.
- Overall capacity utilization fell to 70.9% in February from 71.9% in January. Manufacturing capacity utilization declined to 67.4% versus 67.9% in January.



Implications: Industrial production continued to decline in February but the composition of the output signals that the most forceful declines are likely behind us. For the first time since September, manufacturing fell less than the overall industrial index. Meanwhile, utility output was down substantially, and when this happens it usually reverses in the following month. Although the assembly of autos and light trucks (pick-ups, SUVs, and some minivans) rebounded to a 4.7 million annual rate in February from a 3.8 million rate in January, assemblies are still so slow that auto dealers will be able to work off excess inventories even at the current anemic rate of auto sales. Starting sometime in the next couple of months we expect auto sales to start a huge rebound. In turn, this will make room for a sharp increase in auto assemblies later this year. In other news this morning, the Empire State Index, a measure of manufacturing in New York, fell to a new cycle low of -38.2 in March.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Feb-09	Jan-09	Dec-08	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	-1.4%	-1.9%	-2.4%	-20.8%	-17.6%	-11.2%
Manufacturing	-0.8%	-2.7%	-3.0%	-23.0%	-21.5%	-13.2%
Motor Vehicles and Parts	10.2%	-24.6%	-8.2%	-66.3%	-47.8%	-38.4%
Ex Motor Vehicles and Parts	-1.2%	-1.5%	-2.7%	-19.6%	-19.4%	-11.4%
Mining	-0.4%	-1.0%	-1.4%	-10.6%	-6.5%	-1.8%
Utilities	-7.7%	2.6%	0.4%	-18.4%	-0.2%	-7.8%
Business Equipment	-1.3%	-4.3%	2.6%	-11.5%	-20.1%	-11.8%
Consumer Goods	-0.7%	-2.0%	-1.9%	-17.0%	-9.6%	-8.5%
High-Tech Equipment	-3.4%	-1.3%	-4.7%	-32.1%	-31.5%	-13.5%
Total Ex. High-Tech Equipment	-1.3%	-1.9%	-2.3%	-20.1%	-16.7%	-11.1%
Cap Utilization (Total)	70.9	71.9	73.3	3-mo Average	6-mo Average	12-mo Average
Manufacturing	67.4	67.9	69.7	72.0	73.8	76.6
				68.3	70.6	74.0

Source: Federal Reserve Board

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