



Manufacturing Metrics

Key Points

- Manufacturing employment remains at 14.1 m.
- Weaker quarterly profits although strong for year; both led by petroleum and coal products.
- ISM New Orders show weakening growth.
- Manufacturing production/utilization rise steadily.
- PPI and CPI stabilize at lower percent increases.
- U.S. exports to China up 42.7%, while trade still increases 15.5%.
- Trade weighted dollar holds steady.
- Fed Reserve holds rates steady on mixed signals.

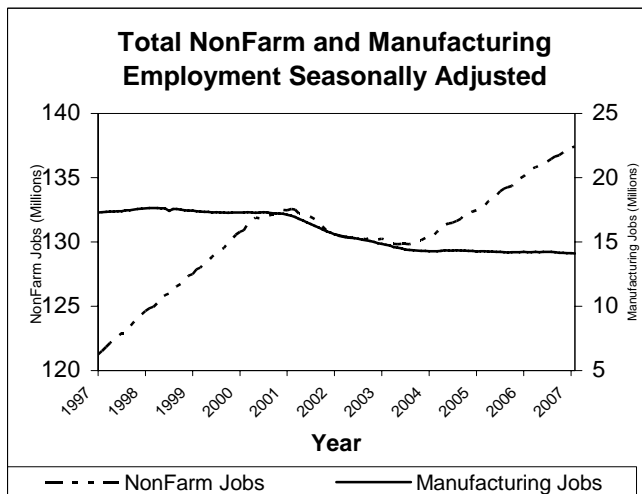


Figure 1

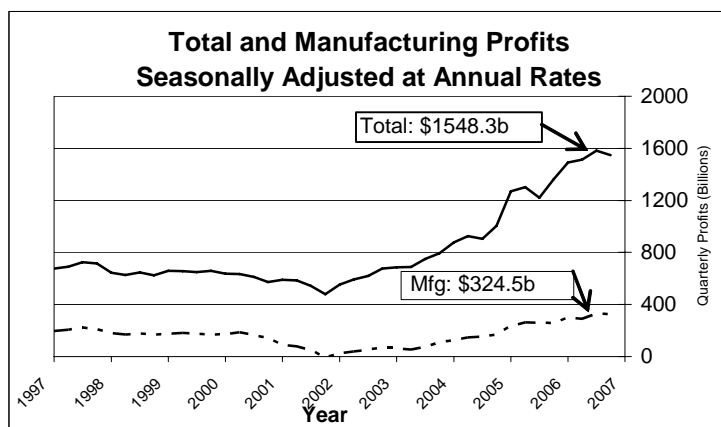


Figure 2

Manufacturing employment declines slightly over the year; continues to hold around the 14.1 million job mark.

Manufacturing employment was 14.1 million the Bureau of Labor Statistics reported in March. While manufacturing employment changed little in March, it has decreased by 100,000 over the year. Manufacturing employment has decreased 0.4 percent annually over the last 3 ½ years since the 14.3 million reported September 2003.

March's total non-farm employment grew nearly 2 million jobs since last quarter, reaching 137.4 million, a steady rise from its May 2003 low of 129.8 million (**Figure 1**). The BLS also reported 6.9 million unemployed persons for an unemployment rate of 4.5 percent, little changed for March but a slight improvement since last quarter. The unemployment rate is slightly better than a year ago when it was 7.0 million unemployed and a jobless rate of 4.7 percent.

Manufacturing and corporate profits down for quarter; Both up for the year.

Manufacturing profits were down 2.3% to \$324.5 billion for the fourth quarter although profits were up 25% over last year. Both the quarterly slowdown and annual gains were driven by petroleum and coal products. Total corporate profits with inventory valuation and capital consumption adjustments were down 2.1% to \$1,548 billion for the fourth quarter while being up 13.6% compared with one year ago (**Figure 2**).

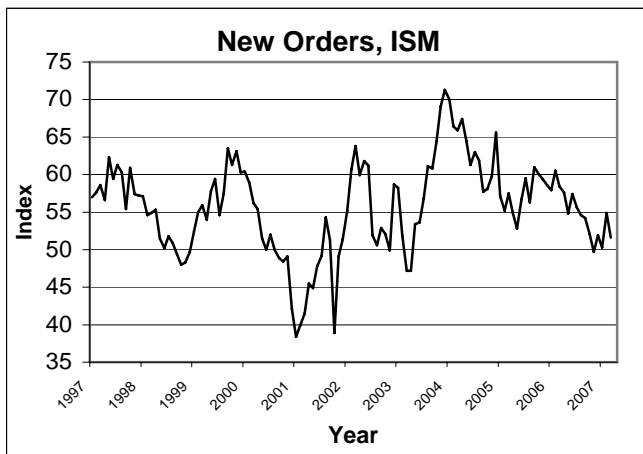


Figure 3

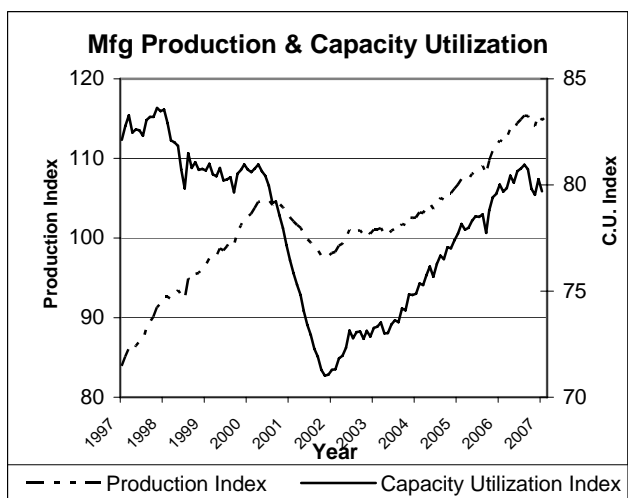


Figure 4

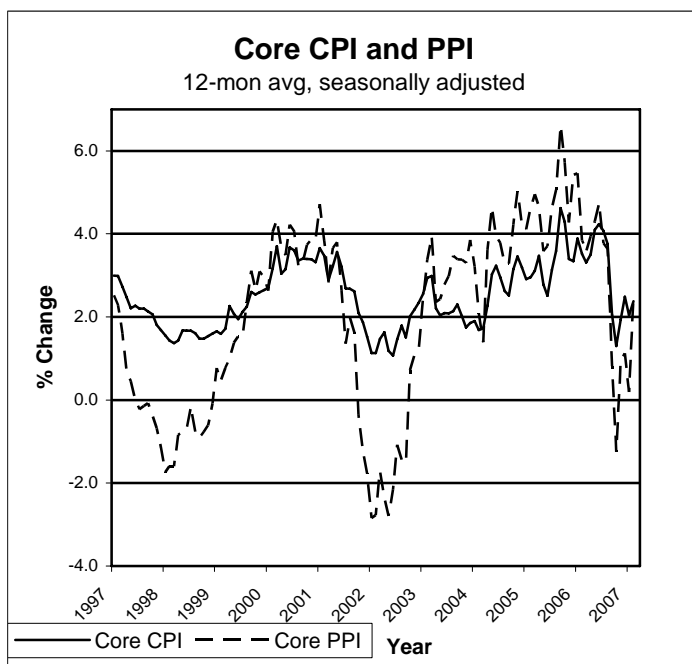


Figure 5

ISM new orders index remains positive; trend shows weakening growth.

According to the Institute for Supply Management New Orders Index declined in March with a reading of 51.6. The index is 3.3 percentage points lower than the seasonally adjusted 54.9 percent registered in February. Overall, ISM reports slight improvement for manufacturing. The index, although showing growth, has been weakening since the 71.3 high for December 2003. (Figure 3)

Manufacturing production gains while capacity utilization hold steady.

Manufacturing production increased 0.3 percent in March with a year-over-year increase of 2.8 percent while the capacity utilization held steady at 79.8 according to Federal Reserve data released March 16th. “The production of durable goods rose 0.8 percent and largely reversed its January decline. The indexes for computer and electronic products and for motor vehicles and parts rose more than 2 percent; the gains more than offset declines in the indexes for wood products, nonmetallic mineral products, machinery, and furniture and related products.” (Figure 4)

PPI at 2.6 percent; Core CPI at 2.4 percent for February.

(Figure 5) PPI for finished goods increased 1.3 percent to 162.7 in February, seasonally adjusted, reported the Bureau of Labor Statistics on March 15th. The 12-month moving average PPI excluding food and energy recovered to 2.6 percent after five months of sluggish performance. In February, the 12-month moving average CPI (U), excluding food and energy, remained steady around 2.0 percent, although down from the higher increases the last three years .



Figure 6

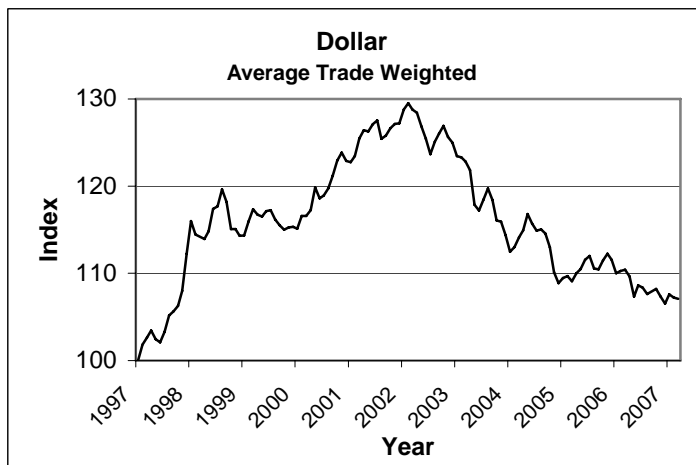


Figure 7

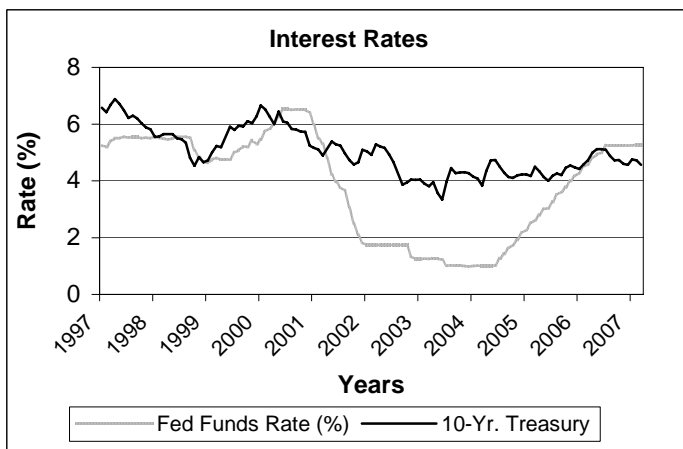


Figure 8

U.S. exports to China show strong increases; Trade deficit continues to climb.

In January, U.S. exports to China increased 42.7 percent over last year (\$3.3 b to \$4.7 b, 12-month averaging) while imports increased 18.2 percent (\$20.6 b to \$ 24.3 b). The goods deficit with China averaged nearly \$236 billion for the past 12 months, resulting in a 15.5 percent trade gap increase.

Overall, the U.S. trade deficit increased 6.1 percent over last year. The U.S. total goods deficit for the past 12 months averaged \$810.73 billion, slightly down from the previous five months. (Figure 6)

Trade-weighted dollar holds steady.

The Federal Reserve’s trade-weighted broad dollar index holds steady around 107 for past five months. However, the dollar remains low compared to its peak at 129.52 in February 2002. (Figure 7)

The Federal Reserve holds rates at 5.25 percent; 10 Year Treasury bills hold steady at 4.5 percent.

In response to mixed economic signals, the Federal Open Market Committee held the Federal Funds rate at 5.25 percent for the ninth consecutive month.

A summary of the March 21, FOMC press release is as follows:

- Recent indicators have been mixed.
- Nevertheless, the economy seems likely to continue to expand at a moderate pace over coming quarters.
- core inflation [has] been somewhat elevated.
- high level of resource utilization has the potential to sustain those pressures.
- Future policy adjustments will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information.

(Figure 8)