

### **U.S. INDUSTRIAL PRODUCTION FALLS FOR 8<sup>th</sup> CONSECUTIVE MONTH**

Capacity utilisation at US factories fell a full 5 percentage points below the lowest average level between fiscal 1967 and fiscal 2000.

According to the latest statistics, released in the US, capacity utilisation fell in the month of May to about 77.40 percent.

It is the eighth, consecutive month for there to be, what can only be described as, a dramatic fall in the utilisation rate of factories in the world's largest economy.

The following table tells it all:

#### **Industrial Production in the United States**

	Year 2001					Year 2000		
	May	April	March	February	January	December	November	October
Industrial Production (Percentage Change)	(0.80)	(0.60)	(0.20)	(0.40)	(0.90)	(0.60)	(0.30)	(0.20)
Motor Vehicle Production (Percentage Change)	2.60	0.90	5.80	2.90	(4.70)	(5.50)	(4.20)	(7.30)
Capacity Utilisation (Percentage)	77.40	78.20	78.80	79.20	79.70	80.60	81.40	82.00

While motor-vehicle production levels might, at first glance, look promising, one has to bear in mind that, compared with May 2000, such production is down by about 6 percent.

In what must be a concerted drive to trim inventory levels, industrialists are cutting back on production activity, as is only too apparent.

Until consumers start to buy to any appreciable extent, there is no incentive to step up production, past present low levels.

It is clear that the industrial situation in the US is bleak.

What is apparent is that there are few takers for the products, being manufactured by US producers, takers in both in the US and elsewhere.

It would appear that the Gross Domestic Product for the second quarter could well be negative, vis-à-vis the like period in 2000.

And there is nothing on the economic horizon to indicate that an imminent improvement is on the cards.

The interest-rate cuts, announced earlier this year, will not work their way into the US economy until the last quarter of the year – if at all – but, by that time, there is likely to have been quite a number of industrial victims of the latest, belt-tightening process.

The US Federal Reserve will meet next Tuesday, at which time, no doubt, its Chairman, Dr Alan Greenspan, weighing up all his options, will decide to cut short-term, interest rates, yet again.

How much this cut will be will depend on a number of factors between now and next Tuesday, but it would appear that the Fed has to do something dramatic to pull the fat out of the US economic fire.

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