

**COMMENTARY NUMBER 360**  
**Industrial Production Revisions**

**March 25, 2011**

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**Revised Industrial Production Shows Much Deeper Recession**

**February's Production Level Lowered by 2.6%**

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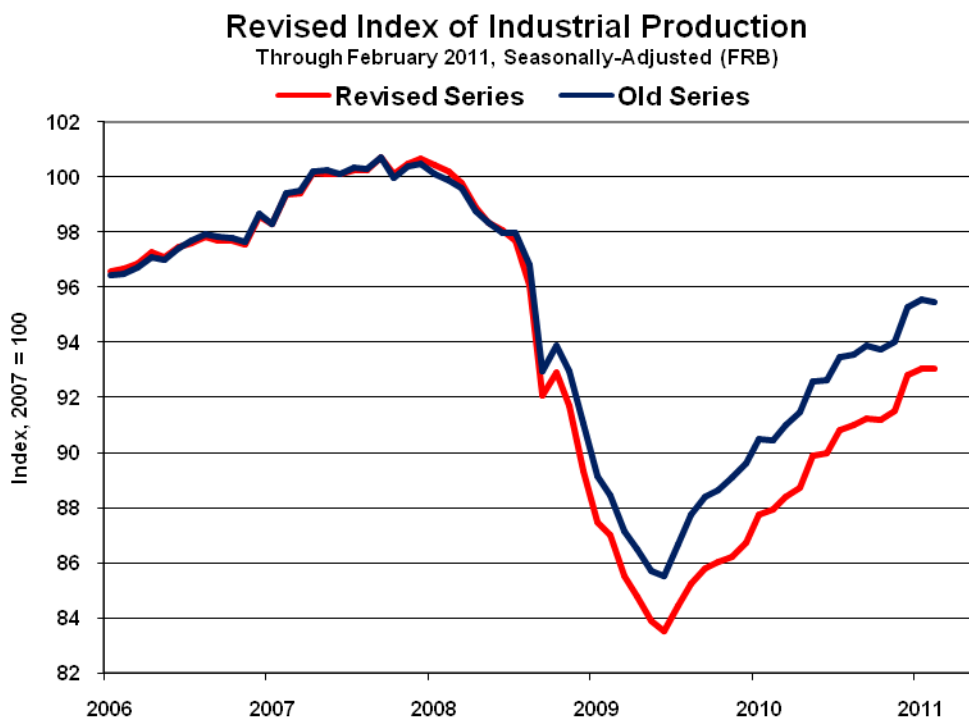
*PLEASE NOTE: This brief Commentary provides summary detail of the industrial production revisions. The next regular Commentary remains scheduled for Friday, April 1st, covering the release of March unemployment and payroll employment, along with an indication of the SGS-Ongoing M3 estimate for March. —Best wishes to all, John Williams*

**It Was Much Worse Than They Were Reporting.** The Federal Reserve published its annual benchmark revision to industrial production (IP) today, March 25th. As noted by the Fed, “measured from fourth quarter to fourth quarter, total IP is now reported to have declined 1.4 percentage points and 1.7 percentage points more sharply in 2008 and 2009, respectively, and to have risen 0.5 percentage point more rapidly in 2010.” The Fed also noted that the peak-to-trough contraction the series (2007 recession) was now 17.1%, 2.0 percentage points worse than previously reported.

The year-to-year contraction of 12.86% (now 14.72%) previously reported for May 2009 has been supplanted by a 14.86% year-to-year decline in June 2009 as the steepest monthly annual decline in production since the shutdown of war-time production following World War II.

With all the revisions in place, the level of production for February 2011 (see [Commentary No. 358](#)) was revised down by 2.6%. February 2011 production now is unchanged from January 2011, instead of down 0.08% as initially reported. Year-to-year, February 2011 is up by 5.81% (previously 5.55%).

Although the upside monthly pattern from 2009 remains in place, it is from a lower level and is flatter than the older series in the most recent months. The revision pattern here has been common in recent years, where earlier years that were benchmarked to more-significant surveys revised downward the most. The most recent period, with little against which to benchmark, tended to be relatively stronger, but they were subject to later downside revisions in the ensuing two benchmarks.



The revisions here should be repeated somewhat in upcoming revisions to retail sales, new orders for durable goods, and the GDP. Within the next four months, these pending benchmarks should continue to confirm that the downturn in the U.S. economy has been longer and deeper than previously indicated in official reporting. The downturn also is ongoing, albeit in what officially will become recognized as a double- or multiple-dip recession, as discussed Section 4 of [Hyperinflation Special Report \(2010\)](#).