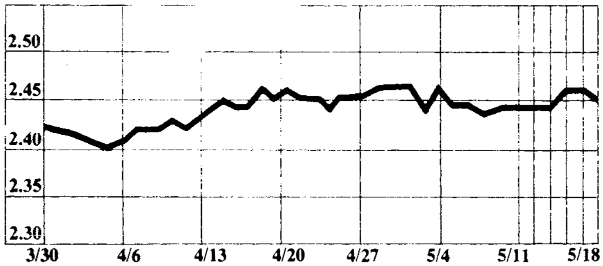
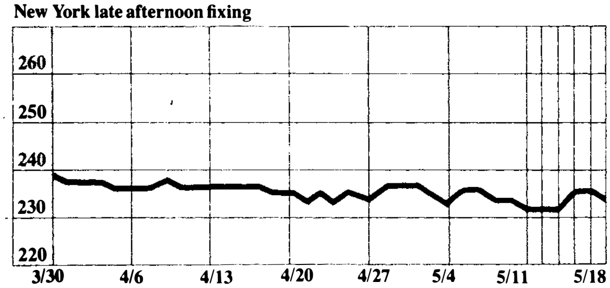
Currency Rates

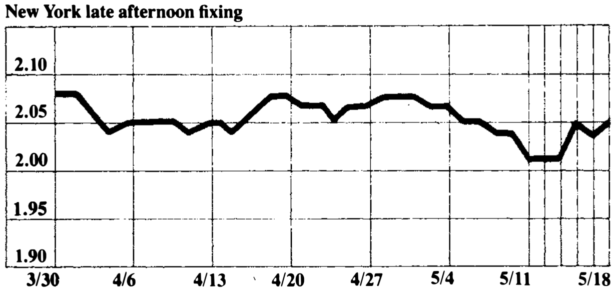
The dollar in deutschemarks
New York late afternoon fixing



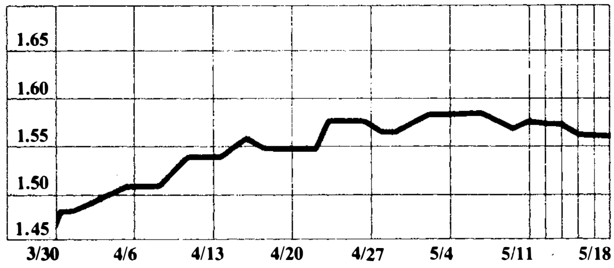
The dollar in yen
New York late afternoon fixing



The dollar in Swiss francs
New York late afternoon fixing



The British pound in dollars
New York late afternoon fixing



U.S. uptick doesn't add up to recovery

by Leif Johnson

The April U.S. industrial production index demonstrates a remarkable pattern of change as the "recovery" continues.

Although it is tempting to focus on the reported April rise of 2.1 percent over March, and note the rising trend since last December, an evaluation of the composition of the change in the index by sector since last November is unsettling. The consumer durables sectors and residential building have shown significant output increase; but nearly half of the industrial sectors (measured by their contribution to total output) have either remained flat or declined.

How the sectors shape up

We examine first the industrial gainers in terms of both their November-April change and their contribution to the overall 5.3 percent November-April increase in the industrial production index. Among the finished products sectors, consumer durables has been an outstanding gainer. Output rose 13.1 percent from November to April, contributing 1.04 percent to the overall rise in industrial output. Of this increase, the 23.3 percent rise in auto assemblies contributed two-thirds.

The auto companies pursued a policy of "deliberate overbuild" relative to the existing market, while imposing General Motors' "lean and mean" cost reduction policies. That meant as little capital expenditure as possible, a reduction of manufacturing supplies inventory to the proverbial bone, and wresting "givebacks" on work rules and conditions.

The companies were notably successful. In the first quarter of 1982, the companies produced 1,070,995 autos with a workforce of 304,000; in the same quarter of 1983, the companies produced 1,500,872 cars with a workforce of 307,000. Yet with unemployment 2 million greater this spring than last, the problem was to sell the autos they had produced. Interest rates on auto loans were thus subsidized, first down to a 12.8 percent level in the first quarter, then down to 9.8 percent in April. The companies still produced 75,000 more autos than they sold in the first four months of this year.