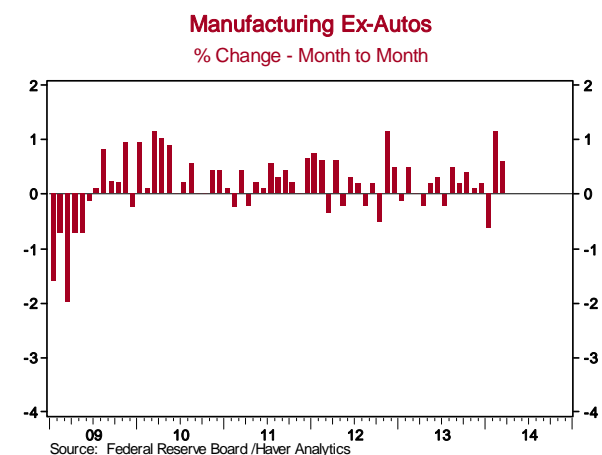
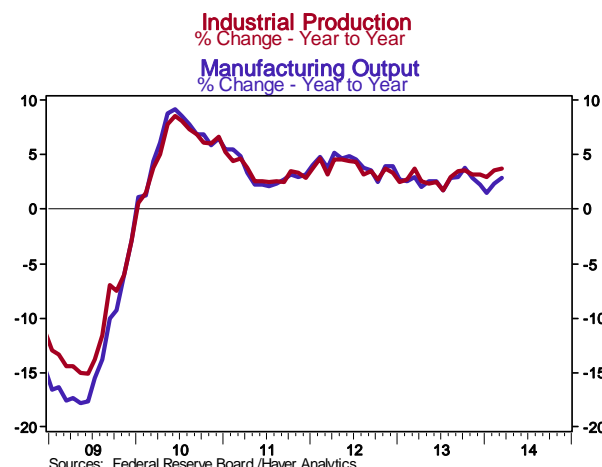


March Industrial Production / Capacity Utilization

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- Industrial production increased 0.7% in March (+1.2% including revisions to prior months) beating the consensus expected gain of 0.5%. Production is up 3.7% in the past year.
- Manufacturing, which excludes mining/utilities, increased 0.6% in March (+1.1% with revisions to prior months). Auto production declined 0.8% in March while non-auto manufacturing increased 0.6%. Auto production is up 5.4% versus a year ago while non-auto manufacturing is up 2.7%.
- The production of high-tech equipment rose 0.7% in March and is up 8.3% versus a year ago.
- Overall capacity utilization increased to 79.2% in March from 78.8% in February. Manufacturing capacity rose to 76.7% in March.

Implications: Another very solid report from the industrial sector as the Plow Horse continues to thaw. Overall industrial output rose 0.7%, and was up a robust 1.2% with revisions to prior months. Earlier this winter, harsher than normal weather wreaked havoc on the economy slowing production, but that looks to now be over, and a positive payback has ensued. Over the past two months, industrial production has increased at an 11.8% annual rate. Manufacturing which excludes mining and utilities, rose 0.6% in March and was up 1.1% with revisions to prior months, up 12.4% at an annual rate over the past two months. Expect more healthy gains in the next couple of months as weather patterns continue to normalize. Overall production is up a respectable 3.7% from a year ago. We expect continued gains in production as the housing recovery is still young and both businesses and consumers are in a financial position to ramp up investment and the consumption of big-ticket items, like appliances. In particular, note that the output of high-tech equipment is up 8.3% from a year ago, signaling companies' willingness to upgrade aging equipment from prior years. More big news from today's report was that capacity utilization was 79.2% in March, above the average of 78.9% over the past twenty years, and the highest level since June 2008. Further gains in production in the year ahead will continue to push capacity use higher, which means companies will have an increasing incentive to build out plants and equipment. Meanwhile, corporate profits and cash on the balance sheet are at record highs, showing that companies have the ability to make these investments.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Mar-14	Feb-14	Jan-14	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.7%	1.2%	-0.2%	6.9%	5.0%	3.7%
Manufacturing	0.6%	1.4%	-0.9%	4.5%	4.1%	3.0%
Motor Vehicles and Parts	-0.8%	6.9%	-5.9%	-1.1%	3.6%	5.4%
Ex Motor Vehicles and Parts	0.6%	1.1%	-0.6%	4.6%	3.8%	2.7%
Mining	1.5%	0.9%	0.8%	13.5%	4.5%	7.9%
Utilities	0.9%	-0.3%	3.4%	17.2%	15.9%	4.3%
Business Equipment	0.6%	1.9%	0.0%	10.5%	3.5%	3.2%
Consumer Goods	0.7%	1.4%	-0.7%	5.5%	6.4%	3.2%
High-Tech Equipment	0.7%	2.0%	0.4%	13.5%	7.3%	8.3%
Total Ex. High-Tech Equipment	0.8%	1.1%	-0.2%	7.0%	5.2%	3.7%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	79.2	78.8	78.1	78.7	78.5	78.2
Manufacturing	76.7	76.5	75.5	76.2	76.3	76.1

Source: Federal Reserve Board