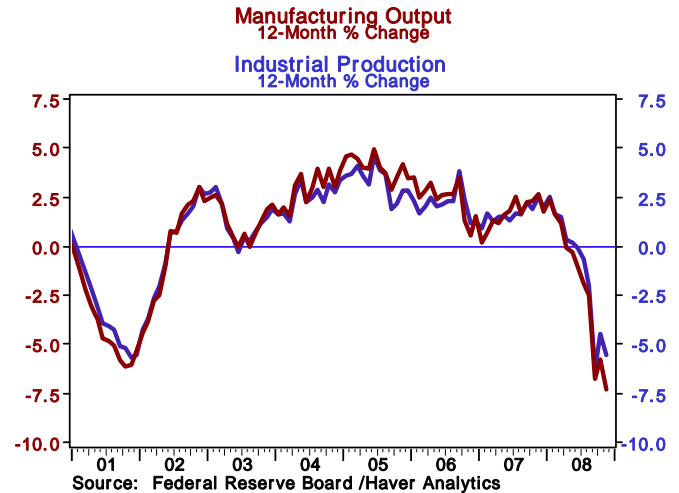


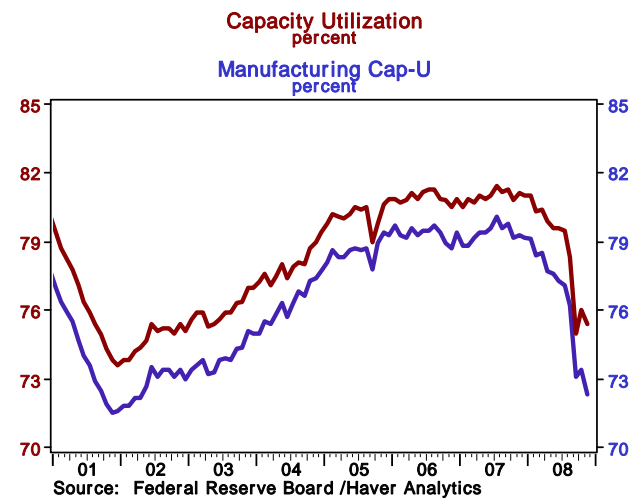
NOVEMBER INDUSTRIAL PRODUCTION / CAPACITY UTILIZATION

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- Industrial production declined 0.6% in November versus a consensus expected -0.8%. Production is down 5.5% versus a year ago.
- Manufacturing output fell 1.4% in November, with weak auto production and widespread losses even outside the motor vehicle sector. Manufacturing output is down 7.3% versus a year ago.
- The production of high-tech equipment fell 1.9% in November, was revised down substantially for previous months, and is now up only 1.9% versus last year.
- Overall capacity utilization fell to 75.4% in November from 76.0% in October. Manufacturing capacity utilization declined to 72.3% versus 73.4% in October.



Implications: The decline in industrial production in November was smaller than the consensus expected, but major revisions to previous months show a weaker economic trajectory before November. In particular, the production of high-tech equipment is now reported to have fallen for six straight months, dating back to June, the weakest performance since the high-tech bust in 2001. There will probably be some further declines in the months ahead. However, we are not even close to the end of the high-tech revolution. Business spending on equipment and software has been subdued relative to corporate cash flow and should pick up quickly as soon as the recession ends next year. In other news this morning, the Empire State Index, a measure of manufacturing in New York, came in at -25.8 for December, slightly worse than the -25.4 in November but better than the expected decline to -28.0.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Nov-08	Oct-08	Sep-08	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	-0.6%	1.5%	-4.1%	-12.8%	-9.0%	-5.5%
Manufacturing	-1.4%	0.7%	-4.1%	-18.2%	-11.9%	-7.3%
Motor Vehicles and Parts	-2.8%	-3.6%	1.3%	-19.1%	-18.5%	-21.4%
Ex Motor Vehicles and Parts	-1.4%	0.9%	-4.3%	-17.7%	-11.3%	-6.3%
Mining	2.5%	7.3%	-9.5%	-1.9%	1.0%	1.7%
Utilities	1.6%	0.7%	2.4%	20.2%	1.5%	-0.3%
Business Equipment	3.3%	-2.6%	-7.3%	-24.3%	-14.5%	-7.4%
Consumer Goods	-0.7%	1.6%	-1.4%	-2.3%	-4.7%	-3.8%
High-Tech Equipment	-1.9%	-1.4%	-1.5%	-17.5%	-12.6%	1.9%
Total Ex. High-Tech Equipment	-0.6%	1.6%	-4.2%	-12.4%	-8.9%	-5.9%
Cap Utilization (Total)	75.4	76.0	75.0	3-mo Average	6-mo Average	12-mo Average
Manufacturing	72.3	73.4	73.1	75.5	77.3	78.8
				72.9	74.9	76.7

Source: Federal Reserve Board