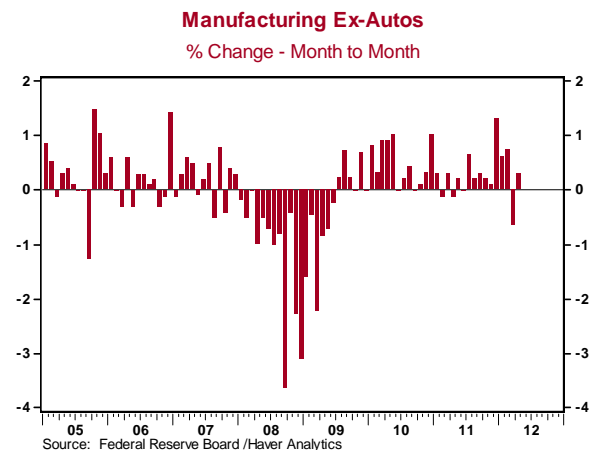
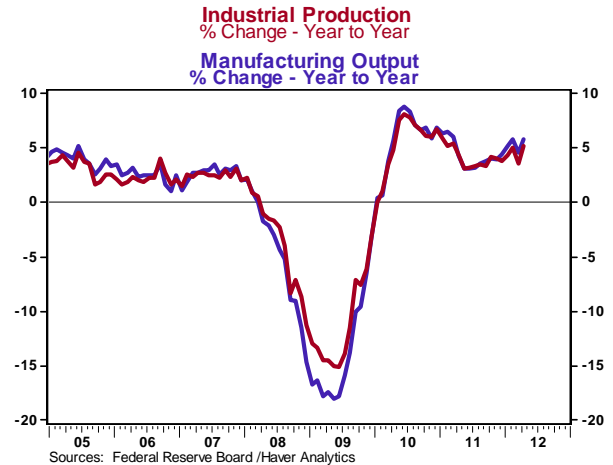


April Industrial Production / Capacity Utilization

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- Industrial production increased 1.1% in April, easily beating the consensus expected gain of 0.6%. Even including downward revisions from prior months production was still up 0.8% and is up 5.2% in the past year.
- Manufacturing, which excludes mining/utilities, rose 0.5% in April and was up 0.2% including downward revisions to prior months. Auto production rose 4.0% in April while non-auto manufacturing rose 0.3%. Auto production is up 27.1% versus a year ago while non-auto manufacturing is up 4.2%.
- The production of high-tech equipment rose 2.3% in April, but is unchanged versus a year ago.
- Overall capacity utilization moved up to 79.2% in April from 78.4% in March. Manufacturing capacity use rose to 77.9% in April from 77.6% in March.

Implications: A great report today on the factory sector. Industrial production rose 1.1% in April, easily beating the consensus expected gain of 0.6%, as both mining and utilities bounced back in April. The manufacturing sector also gained 0.5% in April, and was up 0.2% including downward revisions to prior months. The data we watch most closely is manufacturing production ex-autos. This figure rose 0.3% in April, and has risen in 8 of the last 9 months. That's a very good track record, given that manufacturing ex-autos usually falls three or four times a year even during normal economic expansions. The fact that it hasn't over the past few years is a testament to the current strength in the manufacturing sector. Higher production is making factories use higher levels of capacity. Utilization in manufacturing is now at 77.9%, which is higher than the 20-year average of 77.7%. Overall utilization in the factory sector rose to 79.2%, the highest level since April 2008. As capacity use moves higher, firms have an increasing incentive to invest in more plant and equipment. Meanwhile, corporate profits and cash on the balance sheet show they have the ability to make these investments.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Apr-12	Mar-12	Feb-12	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	1.1%	-0.6%	0.4%	3.8%	5.3%	5.2%
Manufacturing	0.5%	-0.4%	0.7%	3.9%	7.0%	5.9%
Motor Vehicles and Parts	4.0%	1.1%	0.7%	25.5%	30.5%	27.1%
Ex Motor Vehicles and Parts	0.3%	-0.6%	0.8%	1.7%	5.1%	4.2%
Mining	1.6%	-1.7%	-2.0%	-8.3%	0.0%	4.9%
Utilities	4.6%	0.6%	1.2%	28.3%	1.8%	1.2%
Business Equipment	1.5%	0.3%	1.3%	13.1%	14.0%	12.0%
Consumer Goods	0.9%	-0.5%	0.5%	3.5%	1.5%	3.1%
High-Tech Equipment	2.3%	0.2%	-1.5%	3.9%	3.0%	0.0%
Total Ex. High-Tech Equipment	1.0%	-0.6%	0.5%	3.8%	5.4%	5.3%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	79.2	78.4	78.9	78.8	78.5	77.7
Manufacturing	77.9	77.6	78.0	77.8	77.2	76.1

Source: Federal Reserve Board