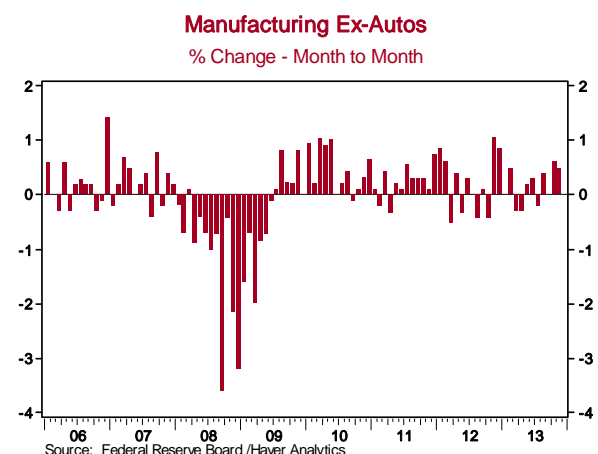
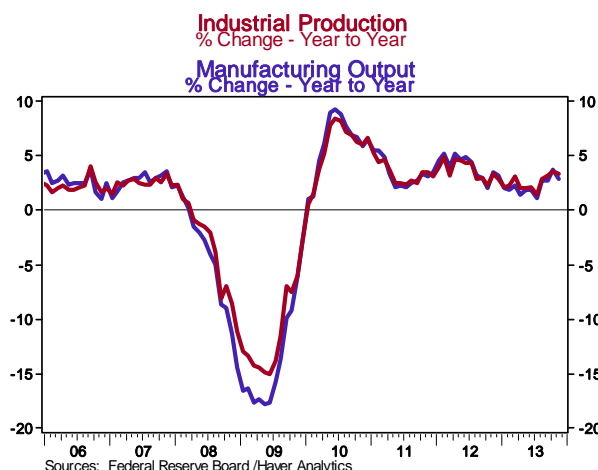


November Industrial Production / Capacity Utilization

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- Industrial production rose 1.1% in November (+1.3% including revisions to prior months), coming in well above the consensus expected 0.6% gain. Production is up 3.3% in the past year.
- Manufacturing, which excludes mining/utilities, rose 0.7% in November. (+0.9% including revisions to prior months). Auto production rose 3.4% in November, while non-auto manufacturing was up 0.5%. Auto production is up 7.6% versus a year ago while non-auto manufacturing is up 2.7%.
- The production of high-tech equipment rose 1.9% in November, and is up 6.9% versus a year ago.
- Overall capacity utilization rose to 79.0% in November from 78.2% in October. Manufacturing capacity ticked up to 76.8% in November.

Implications: A very strong report today on industrial production in November as production reached a new all-time high. Production was up a very strong 1.1% in November as mining and utilities roared back after an October decline. Taking out those two sectors gives us manufacturing, which was up 0.7% in November, up 3.0% in the past year, and at the highest level since March 2008. Auto production was up 3.4% in November, but even non-auto manufacturing was up 0.5%. We expect continued gains in production as the housing recovery is still young and demand for autos and other durables remains strong. Over the past year, production in the auto sector has expanded by 7.6%. Excluding autos, manufacturing output is up 2.7% in the past year and 4.7% at an annual rate in the past three months. We expect the growth gap between auto and non-auto manufacturing to narrow substantially in the year ahead, with slower growth (but still growth!) in autos and faster growth elsewhere in manufacturing. Capacity utilization rose to 79.0% in November, now above the average of 78.9% in the past 20 years, and the highest level since June 2008. Gains in production in the year ahead should 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 companies have the ability to make these investments.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Nov-13	Oct-13	Sep-13	3-mo % Ch <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr % Change
Industrial Production	1.1%	0.1%	0.5%	7.4%	4.7%	3.3%
Manufacturing	0.7%	0.5%	0.1%	5.4%	3.7%	3.0%
Motor Vehicles and Parts	3.4%	-1.3%	1.8%	16.7%	10.3%	7.6%
Ex Motor Vehicles and Parts	0.5%	0.6%	0.0%	4.7%	3.4%	2.7%
Mining	1.7%	-1.5%	0.7%	4.0%	8.5%	5.2%
Utilities	3.9%	-0.3%	3.2%	30.6%	7.3%	2.9%
Business Equipment	-0.5%	0.2%	1.1%	3.1%	2.8%	2.3%
Consumer Goods	1.5%	-0.1%	0.9%	9.3%	3.9%	2.7%
High-Tech Equipment	1.9%	1.5%	-1.3%	8.6%	8.5%	6.9%
Total Ex. High-Tech Equipment	1.1%	0.1%	0.5%	7.2%	4.6%	3.1%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	79.0	78.2	78.3	78.5	78.2	78.1
Manufacturing	76.8	76.4	76.2	76.5	76.3	76.2

Source: Federal Reserve Board