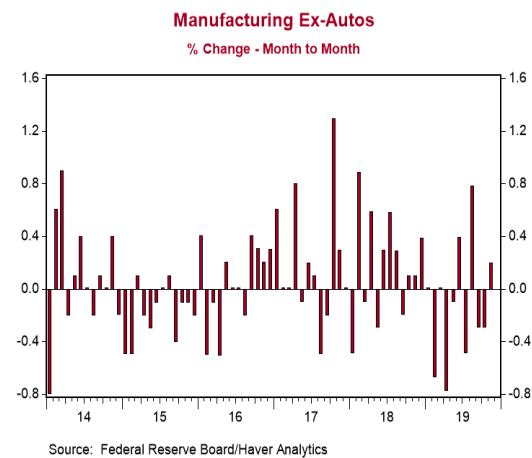
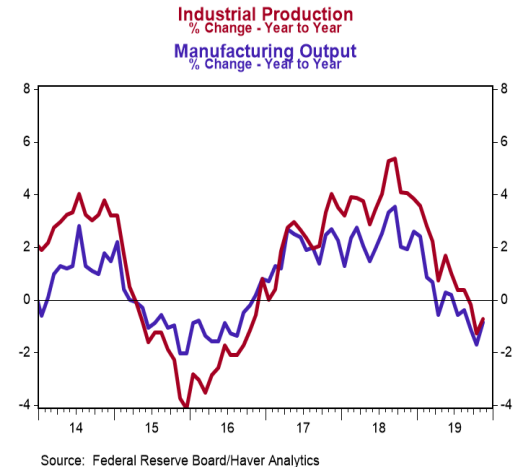


November Industrial Production / Capacity Utilization

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- Industrial production increased 1.1% in November, beating the consensus expected gain of 0.9%. Mining output fell 0.2% in November, while utilities rose 2.9%.
- Manufacturing, which excludes mining/utilities, increased 1.1% in November. Auto production surged 12.4%, while non-auto manufacturing rose 0.2%. Auto production is down 0.5% versus a year ago, while non-auto manufacturing is down 0.9%.
- The production of high-tech equipment rose 1.7% in November and is up 7.4% versus a year ago.
- Overall capacity utilization increased to 77.3% in November from 76.6% in October. Manufacturing capacity utilization rose to 75.2% in November from 74.5% in October.



Implications: Industrial production posted the largest monthly gain since 2017 in November, as the end to the GM strike resulted in a strong rebound in auto production. That said, outside autos there was a lot to like in today’s report, with nearly every major category posting gains. Yes, auto production rose 12.4% in November, the largest monthly gain since 2009. However, excluding the auto sector, industrial production and manufacturing both posted healthy gains of 0.5% and 0.2%, respectively. One interesting piece of data in today’s report was the 2.1% surge in the production of consumer goods following four months of stagnation and declines. Not all of this was due to the spike in auto production, with the production of durable consumer goods ex-autos up 0.6%, and non-durable consumer goods rising 0.9%. So far in 2019, personal goods consumption has grown at the fastest annualized pace in fifteen years, so manufacturers have ample room to expand production despite recent trade uncertainty. Today’s report shows they might finally be getting the message. Over the past six months, overall manufacturing has increased at a 1.0% annualized rate, a reversal from the large annualized drop of 4.5% during the first five months of 2019. We think this accelerating trend will continue and expect further growth in industrial production in the months ahead as we put some of the major headwinds for the factory sector behind us. The strike is over, USMCA is likely to be passed soon, and a Phase 1 trade deal with China has just been agreed. Utilities were also a source of strength in November, jumping 2.6% as colder weather boosted demand for home heating. The one weak spot in November was mining, where activity fell 0.2%, due primarily to a slowdown in the drilling of new oil and gas wells. In other recent manufacturing news, the Empire State Index, which measures factory sentiment in the New York region, rose to +3.5 in December from +2.9 in November, signaling continued growth in that area of the country.

Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Nov-19	Oct-19	Sep-19	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	1.1%	-0.9%	-0.4%	-0.7%	0.9%	-0.7%
Manufacturing	1.1%	-0.7%	-0.7%	-1.5%	1.0%	-0.9%
Motor Vehicles and Parts	12.4%	-6.0%	-5.7%	-1.2%	4.3%	-0.5%
Ex Motor Vehicles and Parts	0.2%	-0.3%	-0.3%	-1.5%	0.6%	-0.9%
Mining	-0.2%	-0.8%	-0.3%	-5.0%	-1.2%	2.0%
Utilities	2.9%	-2.4%	1.4%	7.9%	2.7%	-4.1%
Business Equipment	1.6%	-0.8%	-1.2%	-1.6%	1.0%	-1.5%
Consumer Goods	2.1%	-0.9%	-0.7%	2.3%	1.9%	-1.3%
High-Tech Equipment	1.7%	0.1%	0.0%	7.4%	12.0%	7.4%
Total Ex. High-Tech Equipment	1.1%	-0.9%	-0.5%	-1.1%	0.7%	-0.8%
Cap Utilization (Total)	77.3	76.6	77.4	3-mo Average 77.1	6-mo Average 77.4	12-mo Average 77.9
Manufacturing	75.2	74.5	75.1	74.9	75.3	75.7

Source: Federal Reserve Board