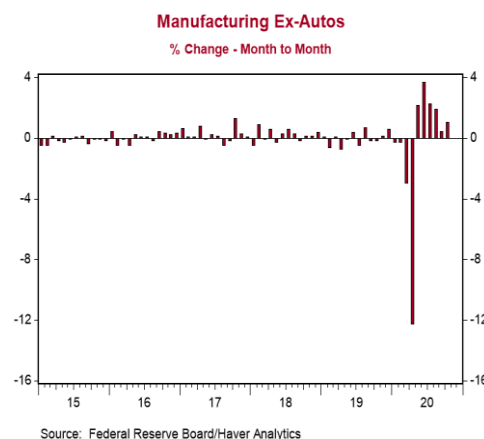
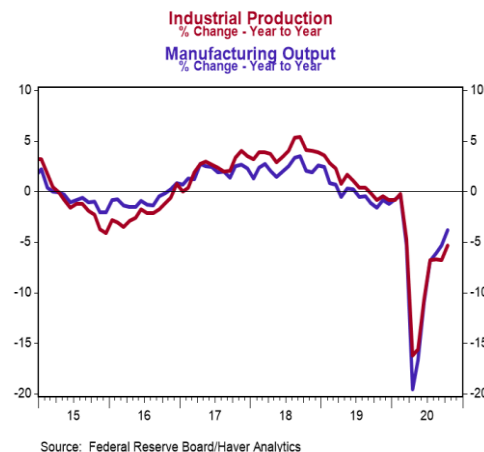


October Industrial Production / Capacity Utilization

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- Industrial production increased 1.1% in October (+1.7% including revisions to prior months), narrowly beating the consensus expected gain of 1.0%. Utilities output rose 3.9% in October, while mining fell 0.6%.
- Manufacturing, which excludes mining/utilities, increased 1.0% in October (+1.7% including revisions to prior months). Auto production declined 0.1%, while non-auto manufacturing rose 1.0%. Auto production is up 6.9% versus a year ago, while non-auto manufacturing is down 4.7%.
- The production of high-tech equipment increased 1.7% in October and is up 6.1% versus a year ago.
- Overall capacity utilization increased to 72.8% in October from 72.0% in September. Manufacturing capacity utilization rose to 71.7% in October from 70.1%.



Implications: After briefly hitting a snag in September, industrial production regained its upward momentum in October, rising 1.1%. Moreover, the readings in prior months were revised higher, and when included with the headline number boosted October's gain to 1.7%. Industrial production has now made up 66.1% of the decline in activity seen during the height of COVID-19 lockdowns back in March and April, but still has a way to go. We expect a continuing rebound in the factory-sector in the months ahead, and here is why. This morning's report on retail sales showed consumer spending up 4.9% from its February pre-pandemic level, and personal consumption spending on goods is up 7.7% from February to September. The pandemic has clearly shifted consumer preferences from services (like travel or attending sporting events) toward goods, and that represents a strong source of demand for US factory output going forward. Looking at the details, the biggest source of strength in October came from non-auto manufacturing, which rose 1.0%. Meanwhile, auto manufacturing slipped 0.1% in October. Keep in mind that auto manufacturing has already made a full V-shaped recovery and is now up 6.9% from a year ago while non-auto production is still down 4.7% over the same period. Look for monthly gains in non-auto manufacturing to continue to outstrip readings from the auto sector as the former series continues to make up ground. The biggest drag on activity in October was mining, which fell 0.6% as declines in oil and gas extraction more than offset gains in ore and mineral extraction. In other recent factory-related news, the Empire State Index, a measure of New York factory sentiment, fell to +6.3 in November from +10.5 in October. On the housing front this morning, the NAHB index, a gauge of homebuilder sentiment, rose to a new record high of 90 in November from 85 in October. Look for housing starts in 2020 to post the highest annual reading for any year since the crash in housing more than a decade ago.

Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Oct-20	Sep-20	Aug-20	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	1.1%	-0.4%	0.7%	6.0%	27.8%	-5.3%
Manufacturing	1.0%	0.1%	1.4%	10.7%	41.8%	-3.8%
Motor Vehicles and Parts	-0.1%	-3.0%	-3.7%	-24.0%	3206.3%	6.9%
Ex Motor Vehicles and Parts	1.0%	0.4%	1.9%	14.2%	25.3%	-4.7%
Mining	-0.6%	1.2%	-1.2%	-2.4%	-12.1%	-14.4%
Utilities	3.9%	-5.2%	-1.7%	-12.1%	4.8%	-3.0%
Business Equipment	0.6%	-0.7%	2.4%	9.3%	71.7%	-8.9%
Consumer Goods	0.8%	-1.0%	0.6%	1.6%	40.6%	-0.7%
High-Tech Equipment	1.7%	0.9%	0.6%	13.0%	14.7%	6.1%
Total Ex. High-Tech Equipment	1.1%	-0.5%	0.8%	5.7%	28.2%	-5.6%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	72.8	72.0	72.2	72.3	70.4	72.4
Manufacturing	71.7	71.0	70.9	71.2	68.8	70.4

Source: Federal Reserve Board