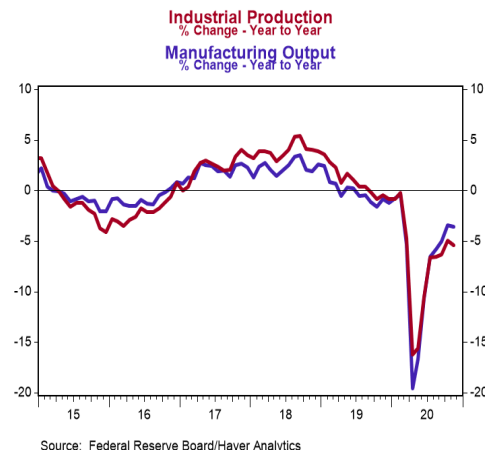


November Industrial Production / Capacity Utilization

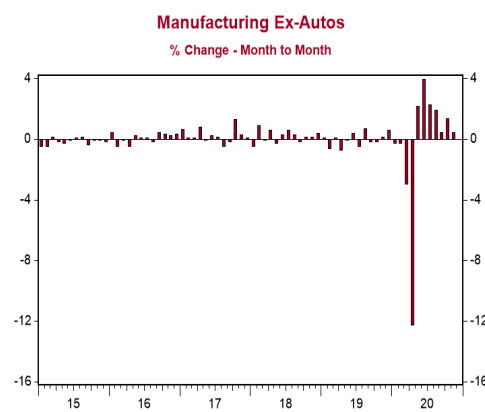
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- Industrial production increased 0.4% in November (+0.8% including revisions to prior months), beating the consensus expected gain of 0.3%. Utilities output declined 4.3% in November, while mining rose 2.3%.
- Manufacturing, which excludes mining/utilities, increased 0.8% in November (+1.1% including revisions to prior months). Auto production rose 5.3%, while non-auto manufacturing rose 0.4%. Auto production is unchanged versus a year ago, while non-auto manufacturing is down 3.9%.
- The production of high-tech equipment increased 0.6% in November and is up 4.9% versus a year ago.
- Overall capacity utilization increased to 73.3% in November from 73.0% in October. Manufacturing capacity utilization rose to 72.6% in November from 72.0%.

Implications: The recovery in the industrial sector continued in November. Moreover, the readings in prior months were revised higher, and when included with the headline +0.4% boosted November's gain to 0.8%. Industrial production has now made up 71% 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. October'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 7.8% over that same period. 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 until the pandemic is completely behind us. Looking at the details, the biggest source of strength in November came from the manufacturing sector which increased 0.8%, the seventh consecutive monthly gain. Both auto manufacturing and non-auto manufacturing contributed to the increase, rising 5.3% and 0.4% respectively. Keep in mind that auto manufacturing has already made a full V-shaped recovery and is now flat versus a year ago while non-auto production is still down 3.9% over the same period. Look for monthly gains in non-auto manufacturing to outstrip readings from the auto sector as the former series continues to make up ground. Meanwhile, the beleaguered mining sector posted a gain of 2.3% in November, primarily the result of an increase in extraction activity at oil and gas wells. The one major drag on activity in November came from utilities which fell 4.3%, the result of warmer than normal temperatures reducing demand for heating. In other recent factory-related news, the Empire State Index, a measure of New York factory sentiment, fell to +4.9 in December from +6.3 in November. Also today on the inflation front, import prices increased 0.1% in November, with a 4.3% jump in fuel prices more than offsetting a decline in nonfuel prices. Meanwhile, export prices increased 0.6%, led by agricultural exports, which rose 3.7%. In the past year, import prices are down 1.0%, while export prices are down 1.1%.



Source: Federal Reserve Board/Haver Analytics



Source: Federal Reserve Board/Haver Analytics

Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Nov-20	Oct-20	Sep-20	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.4%	0.9%	-0.1%	5.2%	27.5%	-5.5%
Manufacturing	0.8%	1.1%	0.1%	8.3%	35.0%	-3.6%
Motor Vehicles and Parts	5.3%	-1.1%	-3.2%	3.1%	725.0%	0.0%
Ex Motor Vehicles and Parts	0.4%	1.3%	0.4%	8.9%	22.3%	-3.9%
Mining	2.3%	-0.7%	1.0%	10.3%	15.4%	-12.5%
Utilities	-4.3%	1.8%	-2.2%	-17.7%	-0.6%	-8.9%
Business Equipment	2.0%	0.7%	-0.4%	9.1%	57.9%	-8.6%
Consumer Goods	-0.3%	0.4%	-0.9%	-3.0%	28.9%	-2.6%
High-Tech Equipment	0.6%	1.7%	1.2%	15.2%	18.2%	4.9%
Total Ex. High-Tech Equipment	0.4%	1.0%	-0.1%	5.2%	27.9%	-5.7%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	73.3	73.0	72.3	72.9	71.9	72.1
Manufacturing	72.6	72.0	71.2	71.9	70.7	70.3

Source: Federal Reserve Board