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November Industrial Production / Capacity Utilization

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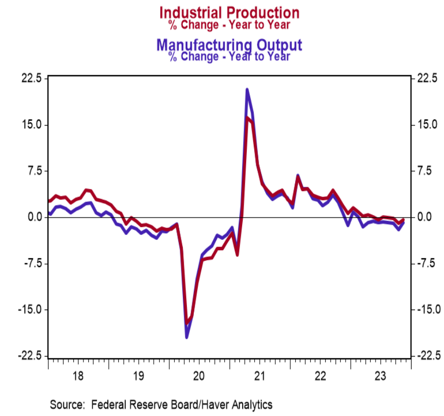
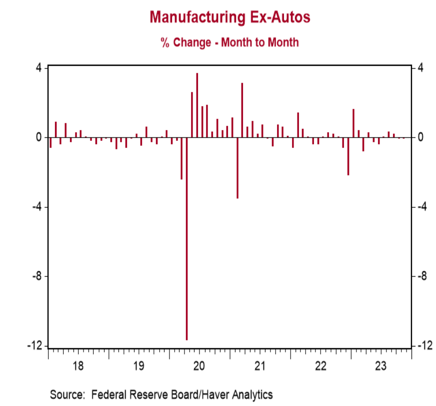
- Industrial production increased 0.2% in November (0.0% including revisions to prior months) below the consensus expectation of +0.3%. Utilities output declined 0.4% in November, while mining increased 0.3%.

- Manufacturing, which excludes mining/utilities, increased 0.3% in November (+0.1% including revisions to prior months). Auto production jumped 7.1%, while non-auto manufacturing declined 0.1%. Auto production is up 2.4% in the past year, while non-auto manufacturing is down 1.1%.

- The production of high-tech equipment rose 1.7% in November and is up 14.4% versus a year ago.

- Overall capacity utilization increased to 78.8% in November from 78.7% in October. Manufacturing capacity utilization rose to 77.2% in November from 77.0%.





Implications: There wasn't much to get excited about in this morning's report on industrial production. The headline index rose a modest 0.2% in November, which was less than the consensus expected, and remains down 0.4% from a year ago. Looking at the details, the biggest source of strength in November was the manufacturing sector which posted a gain of 0.3%. But that was driven entirely by the volatile auto sector, where activity jumped 7.1% as striking workers got back to work. Meanwhile, non-auto manufacturing, which we think of as a "core" version of industrial production, declined 0.1% in November and is down 1.1% from a year ago. The brightest news in the report was that the production of high-tech equipment rose 1.7% in November and is up 14.4% in the past year, by far the strongest growth of any major category. Further, that growth has been accelerating recently, up at an even faster 20.6% annualized rate in the past six months. This likely reflects investment in AI as well as the reshoring of semiconductor production, which remains temporarily strong due to the CHIPS Act, despite broader weakness in the industrial sector. The mining sector posted a 0.3% gain in November, as a faster pace of oil and gas extraction more than offset a decline in the drilling of new wells and less extraction of other minerals. Meanwhile, the utilities sector (which is volatile and largely dependent on weather), posted a decline of 0.4% in November. In other news this morning, the Empire State Index, a measure of New York factory sentiment, dropped to -14.5 in December from +9.1 in November. We will be watching other regional surveys closely for hints about the path of the factory sector.

Industrial Production Capacity Utilization *All Data Seasonally Adjusted*	**Nov-23**	**Oct-23**	**Sep-23**	**3-mo % Ch *annualized***	**6-mo % Ch. *annualized***	**Yr to Yr *% Change***
Industrial Production	**0.2%**	-0.9%	0.1%	-1.9%	-0.4%	-0.4%
Manufacturing	**0.3%**	-0.8%	0.1%	-1.2%	-1.2%	-0.8%
Motor Vehicles and Parts	**7.1%**	-9.9%	-0.4%	-14.7%	-12.6%	2.4%
Ex Motor Vehicles and Parts	**-0.1%**	-0.1%	0.2%	0.0%	-0.2%	-1.1%
Mining	**0.3%**	-1.1%	0.9%	0.0%	1.4%	2.2%
Utilities	**-0.4%**	-1.4%	-0.9%	-10.3%	2.1%	-0.9%
Business Equipment	**0.9%**	-0.8%	-1.0%	-3.7%	-0.2%	-1.4%
Consumer Goods	**0.0%**	-0.9%	-0.2%	-4.2%	-2.7%	-1.6%
High-Tech Equipment	**1.7%**	1.7%	1.3%	20.4%	20.6%	14.4%
Total Ex. High-Tech Equipment	**0.2%**	-0.9%	0.0%	-2.7%	-1.0%	-0.7%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	**78.8**	78.7	79.5	79.0	79.2	79.3
Manufacturing	**77.2**	77.0	77.7	77.3	77.5	77.8

Source: Federal Reserve Board