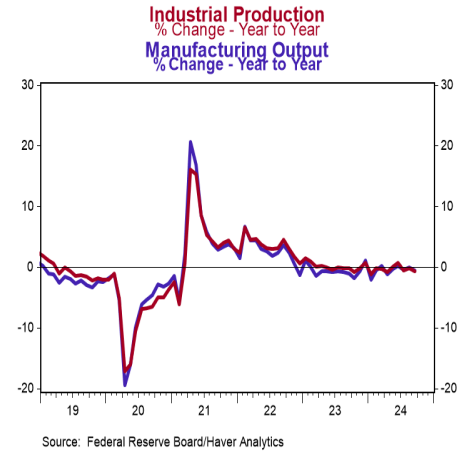


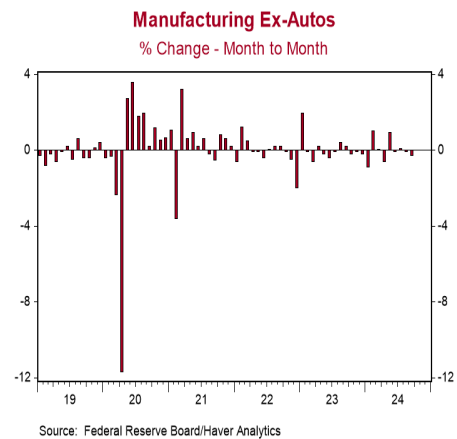
September Industrial Production / Capacity Utilization

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- Industrial production declined 0.3% in September (-0.5% including revisions to prior months), versus a consensus expected decline of 0.2%. Utilities output rose 0.8% in September, while mining fell 0.6%.
- Manufacturing, which excludes mining/utilities, declined 0.4% in September (-0.5% including revisions to prior months). Auto production fell 1.6%, while non-auto manufacturing declined 0.3%. Auto production is down 0.7% in the past year, while non-auto manufacturing has declined 0.5%.
- The production of high-tech equipment increased 1.5% in September and is up 10.0% versus a year ago.
- Overall capacity utilization declined to 77.5% in September from 77.8% in August. Manufacturing capacity utilization fell to 76.7% in September from 77.1%.



Implications: Industrial production gave up ground in September, falling slightly more than expected in what has been a choppy past few months for the sector. Moreover, data from previous months were revised down, and when included brought the decline to 0.5%. That said, today’s headline looks worse than the details. The Federal Reserve points out that a strike at a major producer of civilian aircraft held down total IP growth by an estimated 0.3 percent in September, and the effects of two hurricanes subtracted an estimated 0.3 percent, as well. Manufacturing was the biggest source of weakness, falling 0.4%. Production in the volatile auto sector dropped 1.6% following an August gain that was the largest since 2021. Non-auto manufacturing (which we think of as a “core” version of industrial production) posted a more modest decline of 0.3% in September. The only bright spot in this “core” measure came from production in high-tech equipment which rose 1.5% in September, likely the result of investment in AI as well as the reshoring of semiconductor production. High-tech manufacturing is up at a 13.8% annualized rate in the past six months and 10.0% in the past year, the fastest for any major category. The mining sector was also a drag in September, declining 0.6%. Lower production of oil and gas more than offset a gain in the extraction of other minerals and metals. Finally, the utilities sector (which is volatile and largely dependent on weather) was the only category that posted an increase in September, rising 0.8%. In other manufacturing news this morning, the Philadelphia Fed Index, a measure of factory sentiment in that region, rose to +10.3 in September from +1.7 in August. Meanwhile, the Empire State Index, its counterpart for the New York region, fell to -11.9 in September from +11.5 in August. Finally, on the housing front, the NAHB Housing Index (a measure of homebuilder sentiment) rose to 43 in October from 41 in September. However, a reading below 50 signals a greater number of builders view conditions as poor versus good.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Sep-24	Aug-24	Jul-24	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	-0.3%	0.3%	-0.6%	-2.3%	0.2%	-0.7%
Manufacturing	-0.4%	0.5%	-0.5%	-1.6%	-0.8%	-0.5%
Motor Vehicles and Parts	-1.6%	9.8%	-8.6%	-4.7%	-6.9%	-0.7%
Ex Motor Vehicles and Parts	-0.3%	-0.1%	0.1%	-1.2%	-0.2%	-0.5%
Mining	-0.6%	0.7%	-0.9%	-3.0%	-2.3%	-2.2%
Utilities	0.8%	-1.3%	-1.1%	-6.5%	11.8%	0.6%
Business Equipment	-3.5%	0.2%	-0.1%	-12.9%	-8.3%	-4.2%
Consumer Goods	0.2%	0.5%	-0.8%	-0.4%	1.8%	0.2%
High-Tech Equipment	1.5%	1.2%	0.9%	15.8%	13.8%	10.0%
Total Ex. High-Tech Equipment	-0.4%	0.4%	-0.7%	-2.7%	-0.2%	-0.9%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	77.5	77.8	77.6	77.6	77.8	77.9
Manufacturing	76.7	77.1	76.8	76.9	77.0	77.2

Source: Federal Reserve Board