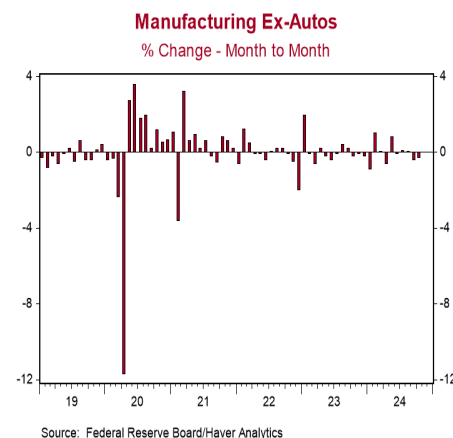
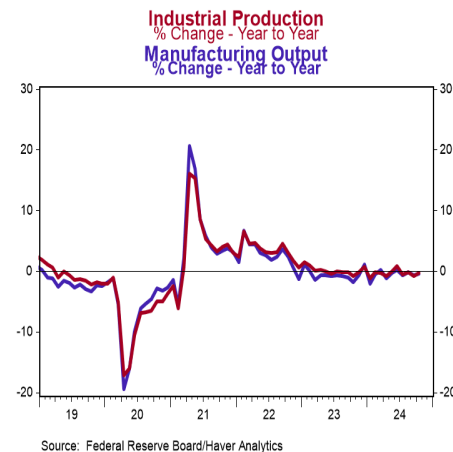


October Industrial Production / Capacity Utilization

Bryce Gill – Economist
 Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist

- Industrial production declined 0.3% in October, narrowly beating the consensus expected decline of 0.4%. Utilities output rose 0.7% in October, while mining increased 0.3%.
- Manufacturing, which excludes mining/utilities, declined 0.5% in October (-0.6% including revisions to prior months). Auto production fell 3.1%, while non-auto manufacturing declined 0.3%. Auto production is up 4.7% in the past year, while non-auto manufacturing has declined 0.7%.
- The production of high-tech equipment increased 0.6% in October and is up 7.6% versus a year ago.
- Overall capacity utilization declined to 77.1% in October from 77.4% in September. Manufacturing capacity utilization fell to 76.2% in October from 76.7%.



Implications: Don't get too worried about the recent weakness in industrial production; output has been held back by temporary factors that should mostly be behind us. The Federal Reserve estimates that the Boeing strike held down total IP growth by 0.2 percentage points in October, and the lingering effects of two hurricanes subtracted an additional 0.1 points, as well. As a result, we should see some catch up growth going forward. Looking at the details in today's report, the weakness was concentrated in manufacturing, with activity falling 0.5%. Production in the volatile auto sector dropped 3.1% while non-auto manufacturing (which we think of as a "core" version of industrial production) posted a more modest decline of 0.3% in October. The only bright spot in this "core" measure came from production in high-tech equipment which rose 0.6% in October, likely the result of investment in AI as well as the reshoring of semiconductor production. High-tech manufacturing is up at a 10.0% annualized rate in the past three months and 7.6% in the past year, the fastest for any major category. The mining sector was also healthy in October, rising 0.3%. Higher production of oil and gas more than offset a decline in the drilling of new wells and the extraction of other minerals and metals. Finally, the utilities sector (which is volatile and largely dependent on weather) also posted an increase in October, rising 0.7%. In other manufacturing news this morning, the Empire State Index, which measures manufacturing sentiment in the New York region, surged unexpectedly to +31.2 in November from -11.9 in October.

Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Oct-24	Sep-24	Aug-24	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	-0.3%	-0.5%	0.5%	-0.8%	-0.2%	-0.3%
Manufacturing	-0.5%	-0.3%	0.6%	-1.2%	-0.6%	-0.4%
Motor Vehicles and Parts	-3.1%	-0.4%	8.5%	20.5%	-9.0%	4.7%
Ex Motor Vehicles and Parts	-0.3%	-0.4%	0.0%	-2.8%	0.2%	-0.7%
Mining	0.3%	-1.9%	1.3%	-1.0%	-2.2%	-1.5%
Utilities	0.7%	0.4%	-1.1%	-0.4%	5.2%	1.5%
Business Equipment	-2.8%	-3.5%	0.1%	-22.1%	-12.1%	-6.2%
Consumer Goods	0.0%	0.0%	0.7%	2.8%	1.2%	0.9%
High-Tech Equipment	0.6%	-0.1%	1.9%	10.0%	5.8%	7.6%
Total Ex. High-Tech Equipment	-0.3%	-0.5%	0.5%	-1.2%	-0.2%	-0.5%
Cap Utilization (Total)	77.1	77.4	77.9	3-mo Average	6-mo Average	12-mo Average
Manufacturing	76.2	76.7	77.0	77.5	77.7	77.8
				76.6	76.9	77.1

Source: Federal Reserve Board