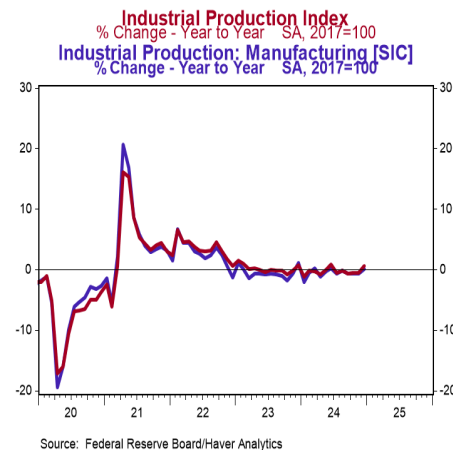


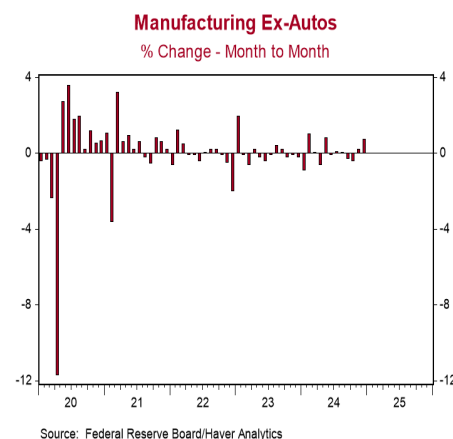
December Industrial Production / Capacity Utilization

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

- Industrial production increased 0.9% in December (+1.2% including revisions to prior months), easily beating the consensus expected gain of 0.3%. Utilities output jumped 2.1% in December, while mining rose 1.8%.
- Manufacturing, which excludes mining/utilities, increased 0.6% in December (+0.9% including revisions to prior months). Auto production fell 0.6%, while non-auto manufacturing rose 0.7%. Auto production is down 5.7% in the past year, while non-auto manufacturing is up 0.5%.
- The production of high-tech equipment increased 1.1% in December and is up 8.0% versus a year ago.
- Overall capacity utilization increased to 77.6% in December from 77.0% in November. Manufacturing capacity utilization rose to 76.6% in December from 76.2%.



Implications: No matter which way you slice it, industrial production finished 2024 on a surprisingly strong note. Activity jumped 0.9% in December, beating even the most optimistic forecast of any economics group surveyed by Bloomberg. Meanwhile, data from prior months were revised up as well, and when included brought the headline gain to 1.2%. At first glance it is easy to chalk this up to one-off effects from the long-anticipated resolution of the Boeing strike. However, the Federal Reserve points out that only 0.2% of today’s headline gain came from the machinists going back to work. Given that this report represents the month immediately after the Presidential election, there may be a “Trump Bump” showing up in the December data as businesses got certainty on the election results and can look forward to an easier regulatory environment in the next four years, as well as lower tax rates on profits. The details in today’s report were also strong. Overall, manufacturing output rose a 0.6%. However, production in the volatile auto sector actually fell 0.6% in December. That means that non-auto manufacturing (which we think of as a “core” version of industrial production) drove activity, increasing a very healthy 0.7% in December. One notable bright spot in this “core” measure came from the production in high-tech equipment which rose 1.1% in December, likely the result of investment in AI as well as the reshoring of semiconductor production. High-tech manufacturing is up 8.0% in the past year, the fastest for any major category. The mining sector was also strong in December, rising 1.8%. Gains in oil and gas production and the extraction of other minerals and metals more than offset a decline in the drilling of new wells. Look for more gains in that sector in 2025 as the incoming Trump Administration takes a more aggressive stance with permitting. Finally, the utilities sector (which is volatile and largely dependent on weather) also posted an increase in December, jumping 2.1%.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Dec-24	Nov-24	Oct-24	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.9%	0.2%	-0.5%	2.4%	-0.2%	0.6%
Manufacturing	0.6%	0.4%	-0.7%	1.2%	-0.2%	0.1%
Motor Vehicles and Parts	-0.6%	3.5%	-5.5%	-10.6%	-9.6%	-5.7%
Ex Motor Vehicles and Parts	0.7%	0.2%	-0.4%	2.0%	0.6%	0.5%
Mining	1.8%	-0.5%	0.1%	5.5%	2.9%	0.3%
Utilities	2.1%	-0.7%	0.3%	7.0%	-2.4%	4.3%
Business Equipment	1.5%	1.3%	-3.1%	-1.8%	-7.7%	-4.3%
Consumer Goods	0.5%	0.5%	-0.7%	1.2%	-0.2%	0.3%
High-Tech Equipment	1.1%	0.0%	0.8%	7.9%	9.4%	8.0%
Total Ex. High-Tech Equipment	0.9%	0.2%	-0.5%	2.4%	-0.2%	0.4%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	77.6	77.0	77.0	77.2	77.4	77.6
Manufacturing	76.6	76.2	76.0	76.3	76.5	76.8

Source: Federal Reserve Board