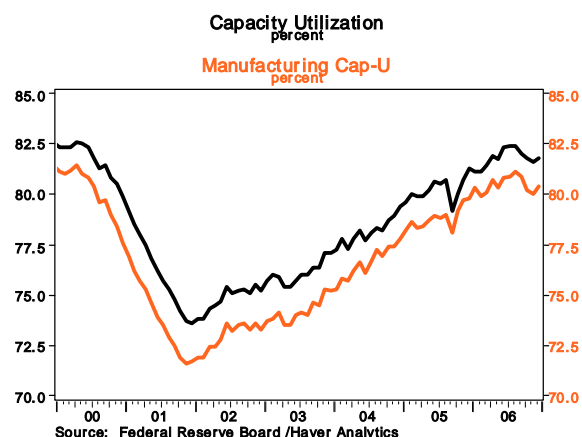
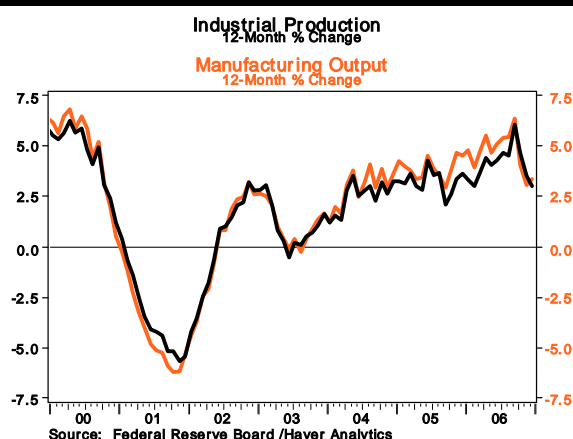


DECEMBER INDUSTRIAL PRODUCTION / CAPACITY UTILIZATION

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- Industrial production increased 0.4% in December, beating the market expectation of a 0.1% gain. However, the level of production was revised downward for both October and November, offsetting the gain in December. Over the past year, production is up 3.0%.
- Manufacturing production was up 0.7% in December, a strong gain that more than offset downward revisions to October and November. Motor vehicle production was up 2.6% in December after increasing 3.4% in November. Manufacturing production is up 3.3% versus a year ago. The production of high-tech equipment continues to stand out, rising 2.2% in December and up 27.3% versus a year ago.
- Capacity utilization increased to 81.8% from a downwardly-revised 81.6% in November. The consensus forecast was 81.7%. In the manufacturing sector, capacity utilization increased to 80.4%.

Implications: Today's report on industrial production shows solid economic growth for December and, given strength in the production of business equipment, suggests robust growth ahead. With today's data we now estimate that durable goods orders in December were up 6.2%.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Dec-06	Nov-06	Oct-06	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.4%	-0.1%	-0.1%	0.7%	0.9%	3.0%
Manufacturing	0.7%	-0.1%	-0.6%	0.0%	1.4%	3.3%
Motor Vehicles and Parts	2.6%	3.4%	-3.7%	9.0%	-2.8%	0.9%
Ex Motor Vehicles and Parts	0.5%	-0.3%	-0.4%	-0.7%	1.6%	3.5%
Mining	0.8%	-0.5%	0.1%	1.6%	0.6%	4.8%
Utilities	-2.6%	0.3%	4.6%	8.7%	-1.3%	-1.0%
Business Equipment	1.5%	0.9%	0.1%	10.7%	8.7%	10.3%
Consumer Goods	0.3%	0.1%	-0.4%	0.0%	0.0%	0.6%
High-Tech Equipment	2.2%	1.7%	2.2%	27.3%	30.4%	27.3%
Total Ex. High-Tech Equipment	0.3%	-0.1%	-0.3%	-0.4%	-0.4%	1.8%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	81.8	81.6	81.8	81.7	82.0	81.8
Manufacturing	80.4	80.0	80.2	80.2	80.6	80.5

Source: Federal Reserve Board