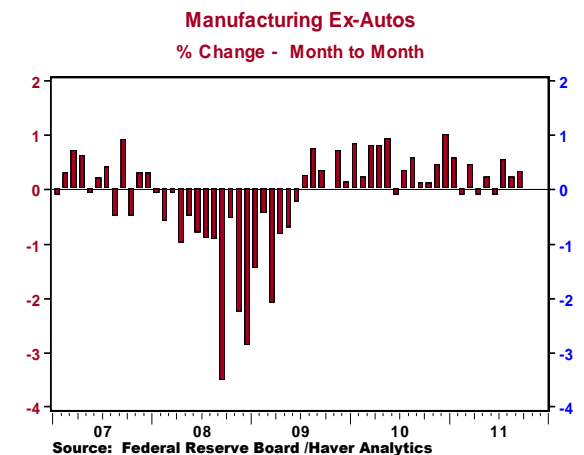
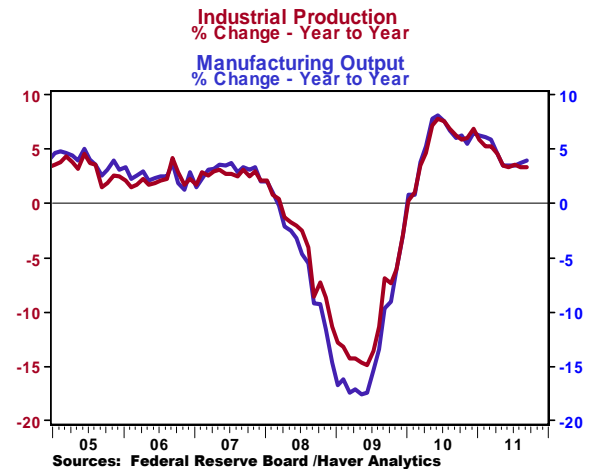


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September Industrial Production / Capacity Utilization

- Industrial production rose 0.2% in September, matching consensus expectations. Including revisions to prior months, production increased 0.3%. Output is up 3.3% in the past year.
- Manufacturing, which excludes mining/utilities, was up 0.3% in September, and was unchanged including revisions to previous months. Auto production rose 0.7% in September. Non-auto manufacturing increased 0.3%. Auto production is up 6.8% versus a year ago and non-auto manufacturing has risen 3.6%.
- The production of high-tech equipment rose 0.5% in September and is up 6.3% versus a year ago.
- Overall capacity utilization rose to 77.4% in September from 77.3% in August. Manufacturing capacity use increased to 75.1% in September from 74.9% in August.

Implications: September's report on industrial production shows no sign of recession. The 0.2 percent gain matched consensus expectations, and the details of the report were even better. Utility output fell sharply, but manufacturing output rose 0.3 percent, with, or without, autos. Industrial production is up 3.3% in the past year, but has climbed 5.3% at an annual rate in the past 3 months. Auto production is up at a 30% annual rate over the past three months, showing that the supply-chain disruptions coming from Japan have eased. Excluding motor vehicles, manufacturing is up at a 4.5% annual rate in the past three months. Today's report also showed that capacity utilization hit its highest level since August 2008, coming in at 77.4 percent. In other news this morning, the Empire State manufacturing index rose slightly to -8.5 in October from -8.8 in September, but there were some promising details in the report. The index for new orders rose to +0.2 from -8.0 in September, and the index for the number of employees increased to +3.4 in October from -5.4 in September. We believe these regional purchasing managers surveys have recently become more influenced by emotion and uncertainty than real economic activity, but that trend may be starting to change.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Sep-11	Aug-11	Jul-11	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.2%	0.0%	1.1%	5.3%	2.4%	3.3%
Manufacturing	0.3%	0.3%	0.8%	5.9%	2.2%	4.3%
Motor Vehicles and Parts	0.7%	1.5%	4.5%	30.0%	-3.3%	6.8%
Ex Motor Vehicles and Parts	0.3%	0.2%	0.6%	4.5%	2.2%	3.6%
Mining	0.8%	0.8%	1.5%	13.5%	10.0%	5.2%
Utilities	-1.9%	-2.9%	2.8%	-8.1%	-3.5%	-3.6%
Business Equipment	1.0%	1.4%	1.1%	15.4%	10.4%	10.3%
Consumer Goods	0.1%	-0.1%	1.0%	3.9%	1.3%	1.5%
High-Tech Equipment	0.5%	0.5%	-0.4%	2.3%	1.5%	6.3%
Total Ex. High-Tech Equipment	0.2%	0.0%	1.1%	5.3%	2.4%	3.1%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	77.4	77.3	77.4	77.4	77.0	76.7
Manufacturing	75.1	74.9	74.7	74.9	74.6	74.3

Source: Federal Reserve Board