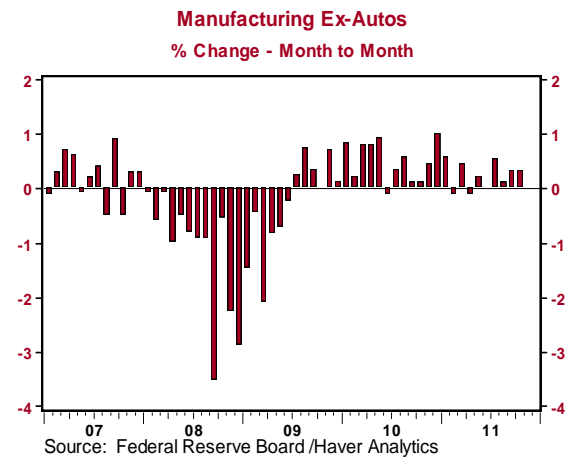
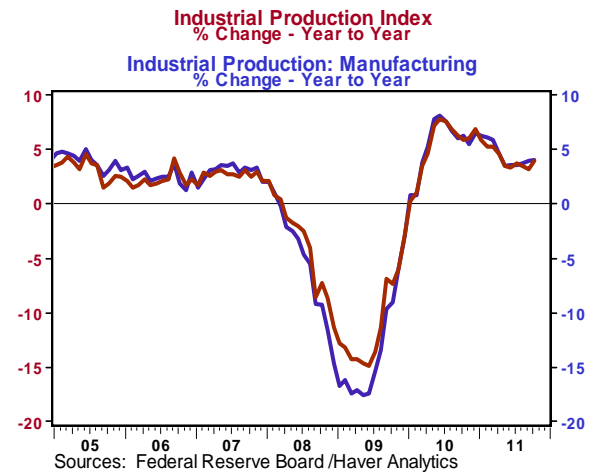


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October Industrial Production / Capacity Utilization

- Industrial production rose 0.7% in October, easily beating the consensus expected gain of 0.4%. Including revisions to prior months, production increased 0.5%. Output is up 4.0% in the past year.
- Manufacturing, which excludes mining/utilities, was up 0.4% in October. Auto production spiked up 3.1%. Non-auto manufacturing increased 0.3%. Auto production is up 8.9% versus a year ago and non-auto manufacturing has risen 3.9%.
- The production of high-tech equipment rose 0.1% in October and is up 7.0% versus a year ago.
- Overall capacity utilization rose to 77.8% in October from 77.3% in September. Manufacturing capacity use increased to 75.4% in October from 75.1% in September.

Implications: Industrial production soared in October, easily beating consensus expectations and showing no sign of recession. Mining activity increased 2.3%, the most in three years. However, manufacturing was strong too, up 0.4% in October and 0.3% if a booming auto sector is excluded. From a year ago, manufacturing is up 4.5%, 3.9% excluding autos. Auto production is up at a 17.3% annual rate over the past six months, a rebound from the supply-chain disruptions that came from Japan earlier this year. It's still an open question what temporary impact recent massive flooding in Thailand will have on auto production in November. The production of business equipment has been particularly strong in recent months, up 10.2% from a year ago and up at a 12.7% annual rate in the past six months. The outlook for continued growth in business investment looks good. Corporate profits are at a record high and so is cash on the balance sheets of non-financial companies. Meanwhile, capacity utilization looks set to be at the long-term average of 80% by the end of 2012, which will give firms more of an incentive to build out capacity.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Oct-11	Sep-11	Aug-11	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.7%	-0.1%	0.0%	2.6%	4.4%	4.0%
Manufacturing	0.4%	0.3%	0.2%	4.4%	4.2%	4.5%
Motor Vehicles and Parts	3.1%	0.4%	1.6%	22.2%	17.3%	8.9%
Ex Motor Vehicles and Parts	0.3%	0.3%	0.1%	3.1%	3.1%	3.9%
Mining	2.3%	-0.5%	1.1%	12.4%	11.5%	6.0%
Utilities	-0.1%	-2.0%	-3.2%	-19.2%	-1.6%	0.1%
Business Equipment	1.0%	0.6%	1.4%	12.9%	12.7%	10.2%
Consumer Goods	0.4%	0.0%	-0.1%	1.3%	3.0%	2.1%
High-Tech Equipment	0.1%	0.0%	1.2%	5.2%	3.4%	7.0%
Total Ex. High-Tech Equipment	0.6%	0.0%	0.0%	2.6%	4.4%	3.8%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	77.8	77.3	77.4	77.5	77.2	76.9
Manufacturing	75.4	75.1	74.9	75.1	74.8	74.5

Source: Federal Reserve Board