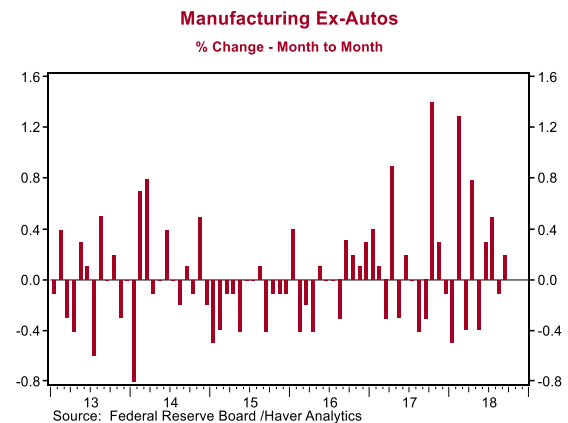
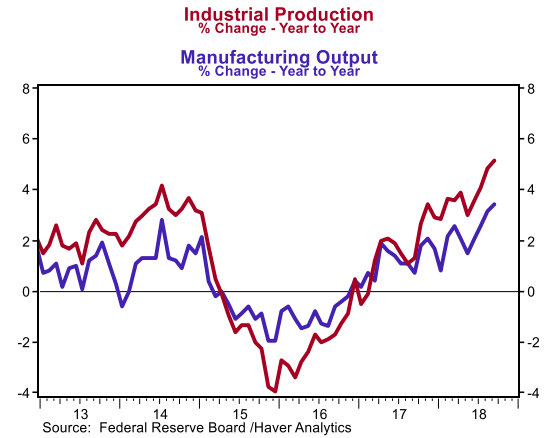


September Industrial Production / Capacity Utilization

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- Industrial production rose 0.3% in September, versus the consensus expected gain of 0.2%. Mining output rose 0.5% in September, while utilities were unchanged.
- Manufacturing, which excludes mining/utilities, rose 0.2% in September. Auto production jumped 1.7%, while non-auto manufacturing rose 0.2%. Auto production is up 7.1% versus a year ago, while non-auto manufacturing is up 3.3%.
- The production of high-tech equipment rose 0.6% in September and is up 6.9% versus a year ago.
- Overall capacity utilization was unchanged at 78.1% in September. Manufacturing capacity utilization increased to 75.9% in September from 75.8% in August.



Implications: Industrial production continued to climb higher in September, posting a fourth consecutive month of growth to hit a new record high. And a look at growth in the past year shows industrial production – which counts “units” of output and is therefore a proxy for “real” growth – rising at the fastest 12-month pace since late 2010. It should also be noted that the Federal Reserve reported in today’s release that output growth was held down in September due to impacts by Hurricane Florence. In other words, the trend pace of growth is even faster than the headline number suggests. Looking closer at the details of today’s report shows that manufacturing, which makes up the largest part of overall production, rose 0.2% in September. The typically volatile auto production series led the way in September, up 1.7%. But even excluding autos, manufacturing production rose a healthy 0.2%. In the past year manufacturing activity is up 3.5%, while manufacturing ex-autos is up 3.3%, both representing the fastest 12-month increases since 2012 for their respective series. This demonstrates that the strength in overall manufacturing is broad-based and looks likely to persist, though storm impacts may increase the volatility in the data over the coming months. Mining, meanwhile, grew for the eighth month in a row and is up 13.4% from a year ago. Keeps this data in mind through market gyrations as yet another reminder that the fundamentals for continued growth remain in place. [It’s heartburn, not a heart attack.](#) In housing news this morning, the NAHB index, which measures homebuilder sentiment, rose to 68 in October from 67 in September, remaining at a historically elevated level as homebuilders cited an optimistic outlook thanks to both economic and demographic tailwinds.

Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Sep-18	Aug-18	Jul-18	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.3%	0.4%	0.3%	3.8%	4.0%	5.1%
Manufacturing	0.2%	0.3%	0.3%	3.1%	2.1%	3.5%
Motor Vehicles and Parts	1.7%	4.3%	-2.4%	14.5%	-1.4%	7.1%
Ex Motor Vehicles and Parts	0.2%	-0.1%	0.5%	2.4%	2.6%	3.3%
Mining	0.5%	0.4%	0.8%	6.7%	11.1%	13.4%
Utilities	0.0%	1.1%	0.0%	4.3%	5.1%	5.4%
Business Equipment	0.8%	1.0%	0.3%	8.7%	6.2%	3.6%
Consumer Goods	0.2%	0.4%	0.2%	3.1%	0.8%	2.5%
High-Tech Equipment	0.6%	0.3%	-0.3%	2.5%	5.5%	6.9%
Total Ex. High-Tech Equipment	0.3%	0.4%	0.4%	4.2%	3.8%	5.2%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	78.1	78.1	77.9	78.0	77.9	77.5
Manufacturing	75.9	75.8	75.7	75.8	75.7	75.5

Source: Federal Reserve Board