November Industrial Production / Capacity Utilization

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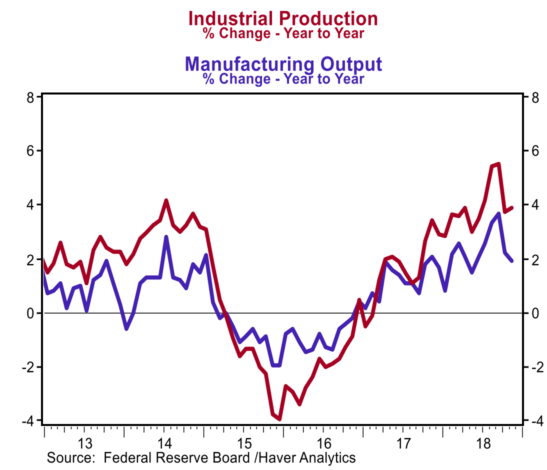
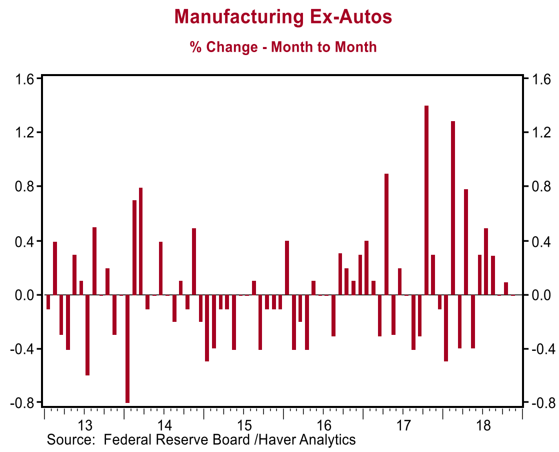
- Industrial production rose 0.6% in November (+0.3% including revisions to prior months), beating the consensus expected gain of 0.3%. Mining output rose 1.7% in November, while utilities increased 3.3%.

- Manufacturing, which excludes mining/utilities, was unchanged in November (-0.5% including revisions to prior months). Auto production rose 0.3%, while non-auto manufacturing was unchanged. Auto production is up 3.5% versus a year ago, while non-auto manufacturing is up 1.9%.

- The production of high-tech equipment rose 1.7% in November and is up 7.6% versus a year ago.

- Overall capacity utilization rose to 78.5% in November from 78.1% in October. Manufacturing capacity utilization fell to 75.7% in November from 75.8% in October.





Implications: Industrial production continued to climb higher in November, hitting a new record high. However, the details of today's report were less impressive than the headline gain of 0.6%. All of November's growth was due to gains in mining and utilities, while overall manufacturing remained unchanged for the month. Further, downward revisions dragged the readings for both the headline index and manufacturing in October into negative territory. That said, a look at growth in the past year shows industrial production – which counts "units" of output and is therefore a proxy for "real" growth – is up a healthy 3.9%. Notably, the flat reading for manufacturing in November was due to a decline in the production of nondurable goods offsetting gains in motor vehicles, machinery, and high-tech equipment. In the past year, the various capital goods indices continue to show healthy growth with business equipment up 4.1%, machinery up 6.2%, and high-tech equipment up 7.6%. Comparing this with the more tepid year-over-year growth of 0.7% for nondurable goods, or 1.9% for manufacturing as a whole, demonstrates that capital goods production remains a valuable source of strength. In turn, more capital goods should help push productivity growth higher, making it easier for the economy to grow in spite of a tight labor market. The biggest monthly gain in November came from utilities which rose 3.3%, as unseasonably cold weather supported demand for heating. Finally, after a brief dip in activity in October due to Hurricane Michael, mining rebounded 1.7% in November to return to a record high. The advance was due to gains in oil and gas extraction and coal mining. Mining is now up 13.2% in the past year, by far the fastest growing category in industrial production.

Industrial Production Capacity Utilization *All Data Seasonally Adjusted*	**Nov-18**	**Oct-18**	**Sep-18**	**3-mo % Ch *annualized***	**6-mo % Ch. *annualized***	**Yr to Yr *% Change***
Industrial Production	**0.6%**	-0.2%	0.1%	2.2%	4.9%	3.9%
Manufacturing	**0.0%**	-0.1%	0.2%	0.4%	3.1%	1.9%
Motor Vehicles and Parts	**0.3%**	-3.1%	2.4%	-1.9%	16.1%	3.5%
Ex Motor Vehicles and Parts	**0.0%**	0.1%	0.0%	0.4%	2.4%	1.9%
Mining	**1.7%**	-0.7%	0.6%	6.5%	14.0%	13.2%
Utilities	**3.3%**	0.3%	-1.2%	9.4%	4.0%	4.4%
Business Equipment	**-0.1%**	0.6%	1.1%	6.5%	11.4%	4.1%
Consumer Goods	**0.1%**	0.0%	0.2%	1.1%	3.1%	1.5%
High-Tech Equipment	**1.7%**	-0.3%	-0.7%	2.4%	11.9%	7.6%
Total Ex. High-Tech Equipment	**0.6%**	-0.2%	0.2%	2.2%	4.8%	3.8%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	**78.5**	78.1	78.4	78.3	78.2	77.8
Manufacturing	**75.7**	75.8	76.0	75.8	75.8	75.6

Source: Federal Reserve Board