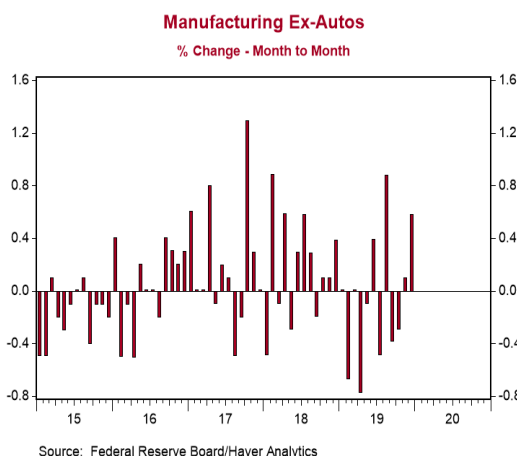
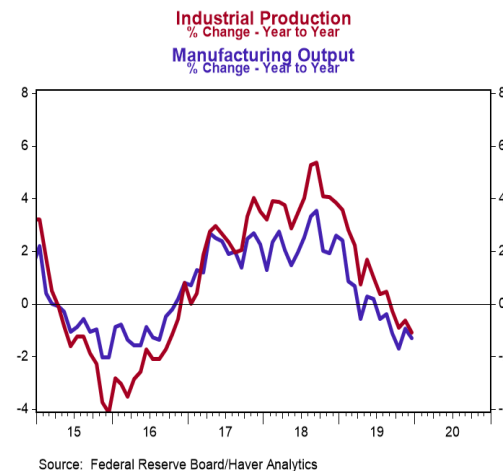


December Industrial Production / Capacity Utilization

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- Industrial production declined 0.3% in December, lagging the consensus expected drop of 0.2%. Mining output rose 1.3% in December, while utilities fell 5.6%.
- Manufacturing, which excludes mining/utilities, increased 0.2% in December. Auto production declined 4.7%, while non-auto manufacturing rose 0.6%. Auto production is down 8.4% versus a year ago, while non-auto manufacturing is down 0.8%.
- The production of high-tech equipment rose 1.1% in December and is up 8.2% versus a year ago.
- Overall capacity utilization declined to 77.0% in December from 77.4% in November. Manufacturing capacity utilization rose to 75.2% in December from 75.1% in November.

Implications: Industrial production took a breather in December, though the details of the report were much better than the headline, with the weakness coming from the volatile auto and utilities sectors. The 4.7% decline in auto production in December represents a return to a more normal pace after the 12.8% surge in November, which was the largest monthly gain since 2009, as GM employees returned to work following the conclusion of a strike. Excluding the auto sector, manufacturing rose a healthy 0.6%. Notably, manufacturing has been accelerating lately, up at an annualized pace of 1.9% over the past three months versus a decline of 1.3% over the past year. Turning to utilities, output dropped due to unseasonably warm weather in December which reduced demand for heating following unusually cold weather in November. Finally, mining output rose 1.3% in December, fueled by an increase in oil and gas extraction. Taking 2019 as a whole, industrial production hit a record high, eking out a 0.8% gain over 2018. We expect faster growth in 2020 as we put some of the major headwinds for the factory sector behind us. The GM strike is over, USMCA has been passed, and a Phase One trade deal with China has been signed.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Dec-19	Nov-19	Oct-19	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	-0.3%	0.8%	-0.5%	0.0%	0.2%	-1.1%
Manufacturing	0.2%	1.0%	-0.7%	1.9%	0.0%	-1.3%
Motor Vehicles and Parts	-4.7%	12.8%	-5.8%	5.6%	-9.4%	-8.4%
Ex Motor Vehicles and Parts	0.6%	0.1%	-0.3%	1.6%	0.8%	-0.8%
Mining	1.3%	-0.2%	-0.5%	2.4%	1.2%	1.4%
Utilities	-5.6%	1.0%	0.4%	-15.9%	1.4%	-1.9%
Business Equipment	-0.1%	1.9%	-0.9%	3.6%	-0.6%	-1.8%
Consumer Goods	-1.2%	1.7%	-0.2%	1.1%	-0.8%	-1.6%
High-Tech Equipment	1.1%	1.4%	-0.1%	9.8%	10.7%	8.2%
Total Ex. High-Tech Equipment	-0.3%	0.7%	-0.6%	-0.4%	0.2%	-1.2%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	77.0	77.4	76.9	77.1	77.3	77.8
Manufacturing	75.2	75.1	74.5	74.9	75.2	75.6

Source: Federal Reserve Board