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January Industrial Production / Capacity Utilization

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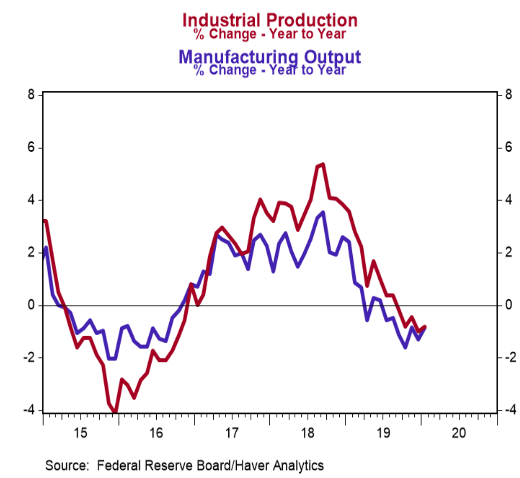
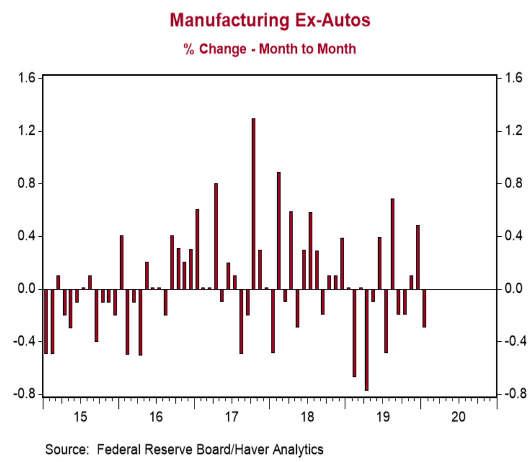
- Industrial production declined 0.3% in January, narrowly lagging the consensus expected drop of 0.2%. Mining output rose 1.2% in January, while utilities fell 3.9%.
- Manufacturing, which excludes mining/utilities, declined 0.1% in January. Auto production rose 2.4%, while non-auto manufacturing fell 0.3%. Auto production is up 0.8% versus a year ago, while non-auto manufacturing is down 1.1%.
- The production of high-tech equipment rose 0.8% in January and is up 8.9% versus a year ago.
- Overall capacity utilization declined to 76.8% in January from 77.1% in December. Manufacturing capacity utilization fell to 75.1% in January from 75.2% in December.





Implications: Industrial production started off 2020 on a soft note as warmer than usual weather pushed down utilities output and problems at Boeing weighed on manufacturing. The production halt surrounding the 737 MAX caused a decline of 9.1% in the production of aerospace products and parts in January. However, excluding the production of aircraft and parts, manufacturing rose a healthy 0.3%. The auto sector also rebounded in January, posting a gain of 2.4%. Notably, even with the Boeing disruption, manufacturing has been accelerating lately, up at an annualized pace of 3.9% over the past three months versus a decline of 0.9% over the past year. It will remain difficult to get a true reading on manufacturing over the next couple months as issues surrounding coronavirus and Boeing distort the data, but we expect a rebound in activity in 2020 as we put some of the major headwinds for the factory sector in 2019 behind us. The GM strike is over, USMCA has been passed, and a Phase One trade deal with China has been signed. Turning to utilities, output dropped for a second consecutive month as unseasonably warm weather throughout much of the country continued in January and reduced demand for heating. Finally, mining output rose 1.2% in January, fueled by a broad-based increase in oil, gas, and mineral extraction. This is somewhat surprising as the price of WTI crude fell 18.5% in January, demonstrating the resiliency of US producers. In the past year mining activity is up 3.1%, the best performer of all major categories.

Industrial Production Capacity Utilization *All Data Seasonally Adjusted*	**Jan-20**	**Dec-19**	**Nov-19**	**3-mo % Ch** ***annualized***	**6-mo % Ch.** ***annualized***	**Yr to Yr** ***% Change***
Industrial Production	**-0.3%**	-0.4%	0.9%	0.7%	0.2%	-0.8%
Manufacturing	**-0.1%**	0.1%	1.0%	3.9%	0.6%	-0.9%
Motor Vehicles and Parts	**2.4%**	-5.1%	13.1%	46.0%	-7.3%	0.8%
Ex Motor Vehicles and Parts	**-0.3%**	0.5%	0.1%	1.2%	1.2%	-1.1%
Mining	**1.2%**	1.5%	-0.5%	9.0%	8.6%	3.1%
Utilities	**-3.9%**	-6.2%	2.1%	-28.3%	-13.4%	-6.1%
Business Equipment	**-2.6%**	-0.7%	2.1%	-4.7%	-4.7%	-4.6%
Consumer Goods	**-0.5%**	-1.5%	2.0%	0.0%	-1.9%	-0.8%
High-Tech Equipment	**0.8%**	1.1%	2.3%	18.3%	13.6%	8.9%
Total Ex. High-Tech Equipment	**-0.4%**	-0.4%	0.8%	0.4%	0.0%	-1.0%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	**76.8**	77.1	77.5	77.1	77.3	77.6
Manufacturing	**75.1**	75.2	75.2	75.2	75.2	75.4

Source: Federal Reserve Board