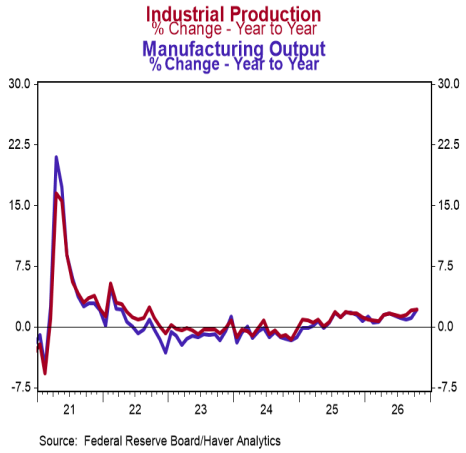
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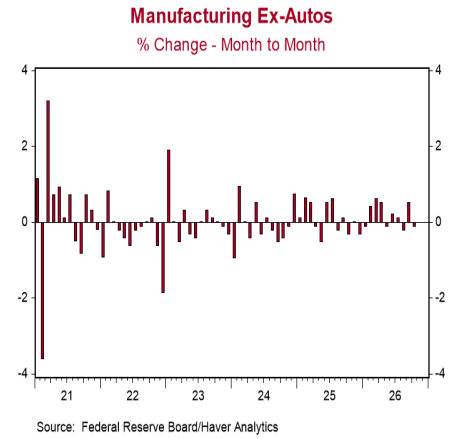
October Industrial Production / Capacity Utilization

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- Industrial production declined 0.4% in October (-0.6% including revisions to prior months), lagging the consensus expected gain of 0.1%. Utilities output fell 4.3% and mining activity dropped 0.8% in October.
- Manufacturing, which excludes mining/utilities, increased 0.3% in October. Auto production jumped 4.4%, while non-auto manufacturing declined 0.1%. Auto production is up 9.5% in the past year, while non-auto manufacturing is up 1.6%.
- The production of high-tech equipment increased 2.1% in October and is up 14.3% versus a year ago.
- Overall capacity utilization declined to 76.4% in October from 76.8% in September. Manufacturing capacity utilization increased to 76.0% in October from 75.9%.



Source: Federal Reserve Board/Haver Analytics



Source: Federal Reserve Board/Haver Analytics

Implications: Industrial production took a breather in October, coming in weaker than expected with prior months revised down as well. The only source of strength in October was the manufacturing sector, which posted a gain of 0.3%. However, even here the details were worse than the headline gain. The volatile and tariff-exposed auto sector was responsible for all of October's gain, rebounding 4.4% in October following a large decline the prior month. Meanwhile, manufacturing excluding autos (which we think of as a "core" version of industrial production) posted a decline of 0.1%. That said, manufacturing ex-autos has been on a consistent upward trend since the start of 2025, a sharp reversal from the downward trend from 2018-2025. There were other bright spots in the "core" measure as well. Production in high-tech equipment, which has been a consistent source of strength recently due to either data center construction or the reshoring of some production, jumped 2.1% in October. Activity in this sector is up 14.3% in the past year, the fastest of any major category. The manufacturing of business equipment also posted a strong gain of 1.0% in October and is up 7.9% in the past year, easily outpacing the 2.2% gain in overall manufacturing and signaling a broad expansion in output. Is it due to data centers or is it a general re-industrialization? The jury is still out. Looking outside the manufacturing sector, mining activity dropped 0.8% in October. The decline was driven by a decrease in oil and gas extraction which more than offset gains in drilling activity and the extraction of other minerals. Finally, utilities output fell 4.3% in October due to unusually warm weather in much of the country. While volatile from month to month, this series has been on an upward trend since 2023, following nearly twenty years of stagnation, as power hungry data centers have boosted demand for US power generation. In other recent manufacturing news, the Empire State Index, which measures manufacturing sentiment in the New York region, dropped more than expected to 7.8 in November from 25.5 in October.

Industrial Production Capacity Utilization *All Data Seasonally Adjusted*	**Oct-26**	**Sep-26**	**Aug-26**	**3-mo % Ch** ***annualized***	**6-mo % Ch.** ***annualized***	**Yr to Yr** ***% Change***
Industrial Production	**-0.4%**	0.7%	-0.1%	0.8%	1.6%	2.2%
Manufacturing	**0.3%**	0.3%	-0.2%	1.2%	1.2%	2.2%
Motor Vehicles and Parts	**4.4%**	-2.7%	-0.6%	3.7%	5.8%	9.5%
Ex Motor Vehicles and Parts	**-0.1%**	0.5%	-0.2%	0.8%	0.8%	1.6%
Mining	**-0.8%**	-0.2%	0.8%	-1.0%	1.8%	2.4%
Utilities	**-4.3%**	4.4%	0.3%	0.7%	2.9%	1.6%
Business Equipment	**1.0%**	-0.1%	-0.2%	2.8%	6.2%	7.9%
Consumer Goods	**-0.7%**	0.9%	-0.2%	0.0%	-0.4%	-0.2%
High-Tech Equipment	**2.1%**	0.1%	1.0%	13.2%	17.5%	14.3%
Total Ex. High-Tech Equipment	**-0.5%**	0.8%	-0.1%	0.8%	1.2%	1.9%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	**76.4**	76.8	76.3	76.5	76.4	76.0
Manufacturing	**76.0**	75.9	75.8	75.9	75.9	75.5

Source: Federal Reserve Board

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