



# Economics Group

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## Industrial Production Advances In September

**Industrial production increased as expected in September, rising 0.2 percent from the month before. August was revised down to zero growth, though July was revised higher, offsetting the impact.**

### Industrial Production Bounces In September

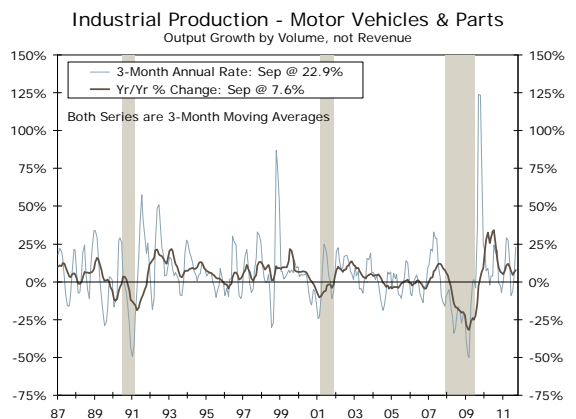
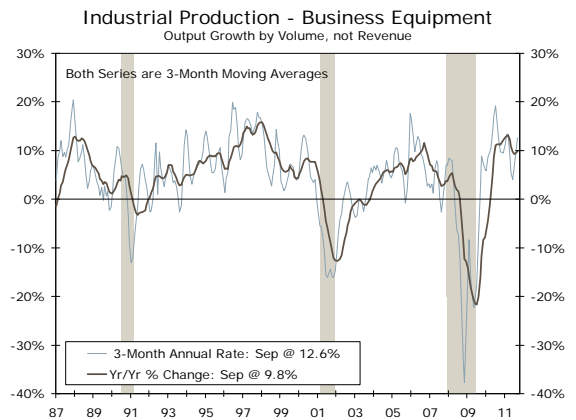
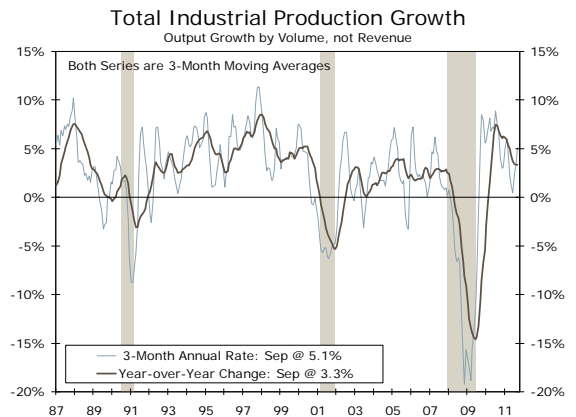
Industrial production returned to growth in September, rising 0.2 percent, which was in line with consensus expectations. Industrial production for July was a bit stronger than previously reported, rising 1.1 percent on the month, while August was revised lower by two tenths and now shows no change from July's level. Improvement in production activity was seen across a wide range of industries in September, an encouraging sign that the manufacturing sector might still have some life in it. Excluding high-tech and vehicle production, industrial production still advanced 0.1 percent on the month. Capacity utilization improved to 77.4 from a downwardly revised 77.3 in August.

### More Than Just Auto Production

Motor vehicles and parts production had another respectable gain of 0.7 percent in September, though that was about half the monthly growth rate recorded in August and well off of July's 4.5 percent monthly gain. Machinery production increased 0.2 percent in September, breaking two consecutive months of decline. Mining production also continued at pace, rising 0.8 percent in September, following August's 0.8 percent gain. Computer and electronics production jumped 1.0 percent in September. Strength in this category seems to be driven by solid consumer and business demand. Home electronics production increased 1.2 percent in September, while business equipment spending appears to be continuing at a rapid pace. Business equipment production increased 1.0 percent in September and is now running 10.3 percent above last year's level. Defense and space production also continued to increase at a steady pace, rising 1.2 percent in September, on par with August's gain in this category. Again the industrial production report showed more resilience than is currently being reflected in the regional manufacturing surveys. This report corroborates the recently released and somewhat improved employment and retail sales reports, suggesting that the economy, while flirting with recession, has not yet fallen into one.

### Any Pockets of Weakness?

Utilities production slipped 1.8 percent on the month, led by a 2.4 percent drop in electricity production. Without this monthly drop in utilities production, industrial production would have looked even healthier. Energy production and business supplies production both fell 0.2 percent in September. Growth in these areas has been lackluster over the past 12 months. Materials production also remained weak, growing just 0.1 percent in September after falling 0.2 percent in August. Capacity utilization has basically been flat since July, though semiconductor capacity has been slipping and is now at 71.0 percent from 80.7 percent last March.



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