



Economics Group

Scott Anderson, Senior Economist
scott.a.anderson@wellsfargo.com • (612) 667-9281
 Michael A. Brown, Economist
michael.a.brown@wellsfargo.com • (704) 715-0569

Industrial Production Rebounds in October

Industrial production increased 0.7 percent in October following two consecutive weak months in September and October. September industrial production was revised to a 0.1 percent decline from a 0.2 percent gain.

Industrial Production Bounces in October

Industrial production continues to advance at a solid pace even as financial markets gyrate. October industrial production jumped 0.7 percent, well above consensus expectations for a 0.4 percent gain. But a 0.3 percentage point downward revision to September industrial production accounted for much of the difference, suggesting that trend industrial production growth is still about in line with expectations. The Federal Reserve indicated that much of the September downward revision to industrial production was due to lower estimated output in mining. Industrial production in October was still 3.9 percent above year-ago levels. Manufacturing production advanced at a 0.5 percent clip on the month, led by large gains in motor vehicle and parts production which jumped 3.1 percent in October. Motor vehicle production is up 8.9 percent from a year ago. National and regional manufacturing PMI surveys have been slowly recovering from the large declines seen in August, revealing that the national manufacturing expansion remains in tact.

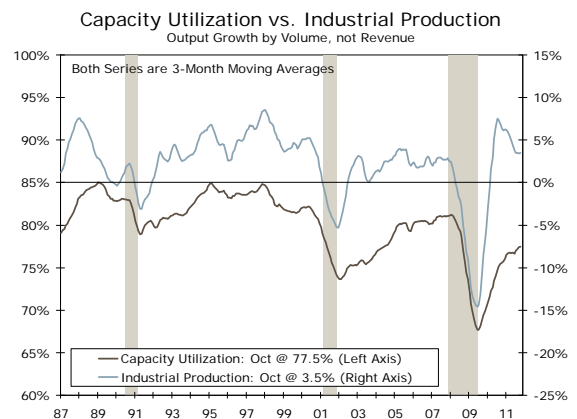
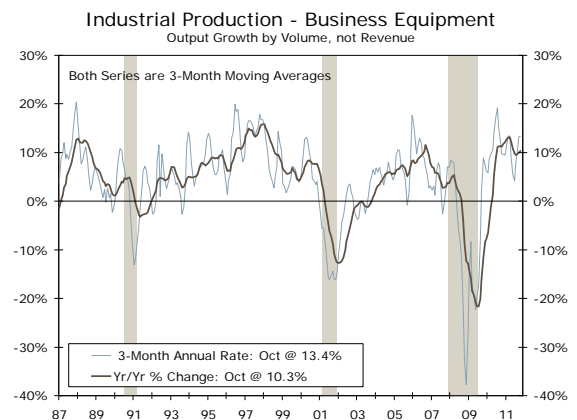
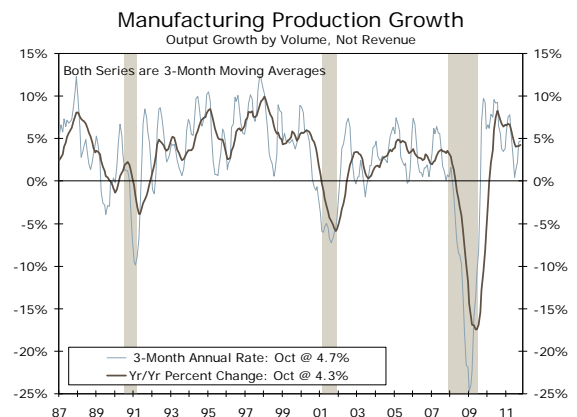
Business Equipment Production Accelerates

Even more encouraging for fourth quarter GDP is the evidence in this report that U.S. businesses are increasingly plowing their profits into equipment and software purchases. Business equipment production jumped 1.0 percent in October and is leading industrial production higher with a year-on-year increase above 10.0 percent. Information processing, a sub-component of business equipment production, also jumped 1.0 percent and has gained 7.9 percent compared to this time last year. Machinery production did show some signs of weakness, however, slipping 0.5 percent in October, but machinery production continued to hold 9.2 percent above year-ago levels. Computers and electronics production increased 0.8 percent on the month, an improvement over the 0.4 percent gain seen in September. Production of computers and electronics was 7.5 percent higher than a year ago in October.

Production of Consumer Goods Solid, A Stable Consumer?

Production of consumer goods also accelerated in October, increasing 0.5 percent from September. Home electronics production also gained another 0.9 percent, following a decent 1.3 percent gain in September. From a year ago though, consumer goods production is lagging, up only 2.1 percent from October of last year. Still, it appears that retailers have had to place new production orders to help restock shelves that have been emptied by better-than-expected retail sales activity. Mining production jumped 2.3 percent while utilities production slipped 0.1 percent in October. Capacity utilization firmed, rising to 77.8 in October from 77.3 in September. Capacity utilization was just 76.6 back in April, so slack is being absorbed.

Source: The Federal Reserve Board and Wells Fargo Securities, LLC



Wells Fargo Securities, LLC Economics Group

Diane Schumaker-Krieg	Global Head of Research & Economics	(704) 715-8437 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 374-7034	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 383-5635	mark.vitner@wellsfargo.com
Jay Bryson, Ph.D.	Global Economist	(704) 383-3518	jay.bryson@wellsfargo.com
Scott Anderson, Ph.D.	Senior Economist	(612) 667-9281	scott.a.anderson@wellsfargo.com
Eugenio Aleman, Ph.D.	Senior Economist	(704) 715-0314	eugenio.j.aleman@wellsfargo.com
Sam Bullard	Senior Economist	(704) 383-7372	sam.bullard@wellsfargo.com
Anika Khan	Economist	(704) 715-0575	anika.khan@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 383-6805	azhar.iqbal@wellsfargo.com
Ed Kashmarek	Economist	(612) 667-0479	ed.kashmarek@wellsfargo.com
Tim Quinlan	Economist	(704) 374-4407	tim.quinlan@wellsfargo.com
Michael A. Brown	Economist	(704) 715-0569	michael.a.brown@wellsfargo.com
Joe Seydl	Economic Analyst	(704) 715-1488	joseph.seydl@wellsfargo.com
Sarah Watt	Economic Analyst	(704) 374-7142	sarah.watt@wellsfargo.com
Kaylyn Swankoski	Economic Analyst	(704) 715-0526	kaylyn.swankoski@wellsfargo.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Advisors, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2011 Wells Fargo Securities, LLC.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

