



Economics Group

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Strong Showing in Industrial Production

Industrial production (IP) grew at a stronger-than-expected pace of 1.2 percent in May, supported by broad-based strength in manufacturing and gains in utilities. High-tech output growth continued.

Broad-based Improvements in IP, Tech Holds Strong

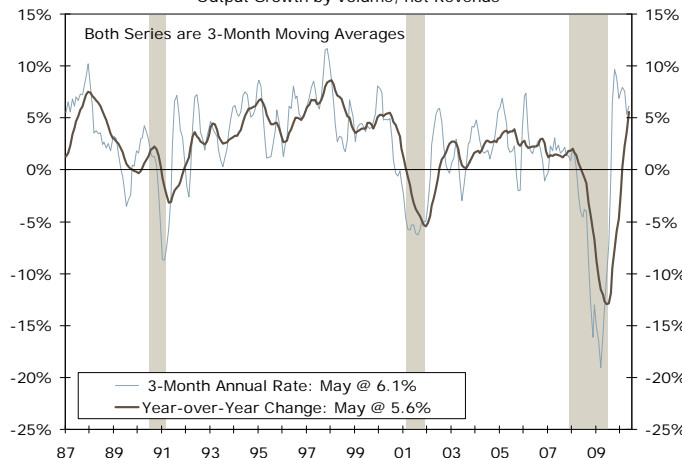
- Headline IP increased a solid 1.2 percent in May. Manufacturing posted a solid gain of 0.9 percent, the strengthening trend continuing for a third consecutive month. Factory production is now 7.9 percent above its year-ago level.
- While gains were broad-based, business equipment production, specifically high tech equipment such as computers and semiconductors, is up significantly on a year-over-year basis.

Motor Vehicles and Utilities Both Strong Contributors

- Motor vehicles supported top-line strength as well, bouncing back at a 5.5 percent pace after several volatile months. Relative to the severely depressed levels in May 2009, auto production is booming and is up roughly 40 percent over that time period.
- Beyond manufacturing, utilities notched a monthly gain for the first time since January; electric output led the charge. A warmer than usual May in the East is a probable cause.

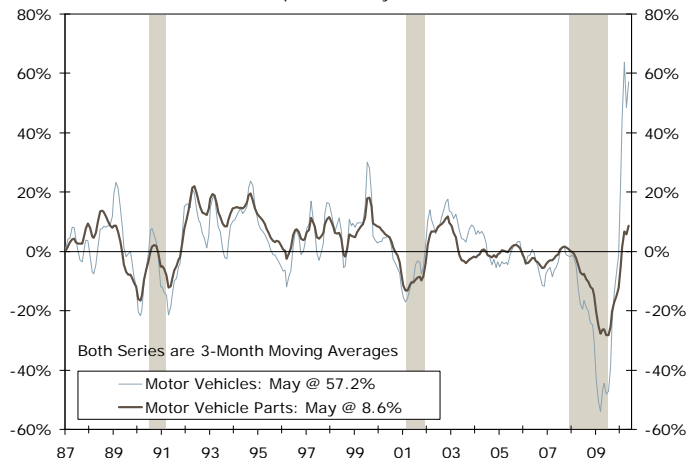
Total Industrial Production Growth

Output Growth by Volume, not Revenue



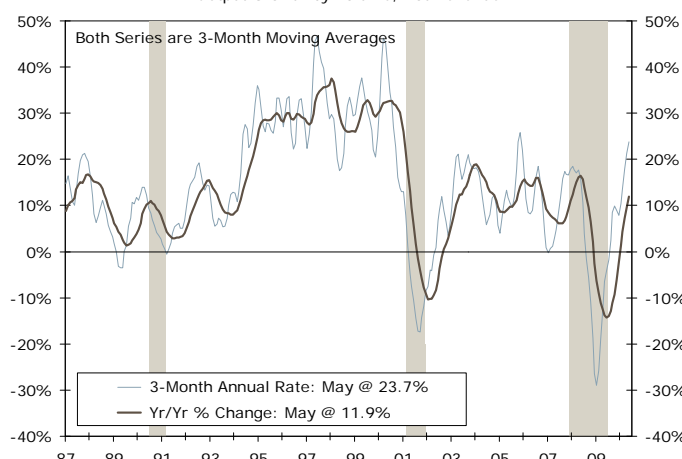
Industrial Production - Motor Vehicles & Parts

Year-over-Year Output Growth by Volume, Not Revenue



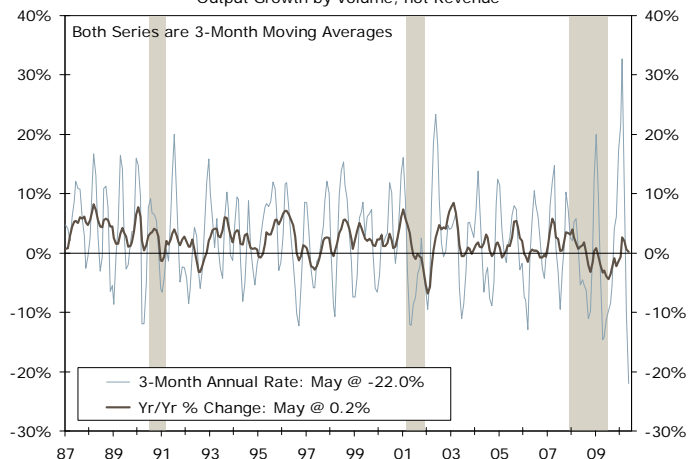
Industrial Production - Computer & Electronic Products

Output Growth by Volume, Not Revenue



Industrial Production - Utilities

Output Growth by Volume, not Revenue



Source: Federal Reserve Board and Wells Fargo Securities, LLC

Wells Fargo Securities, LLC Economics Group

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