



**Economics Group**

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**Industrial Production Unexpectedly Dipped in September**

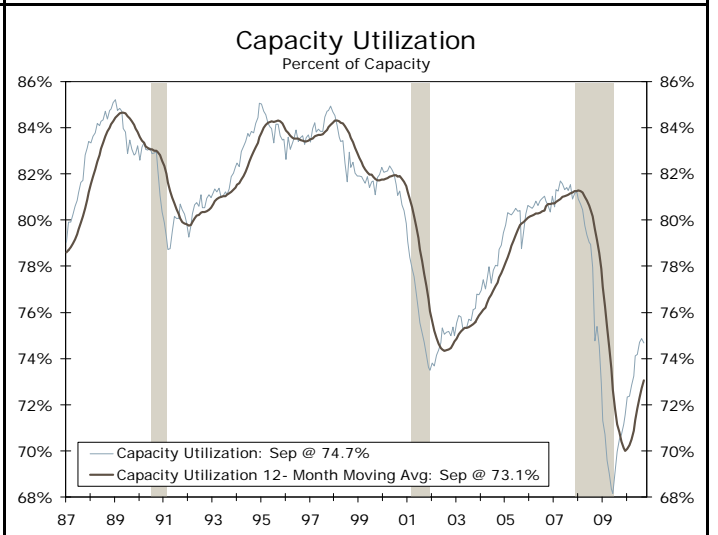
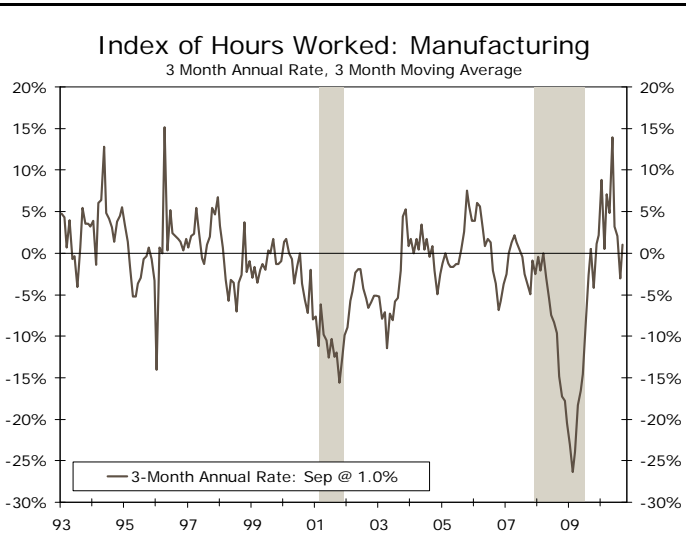
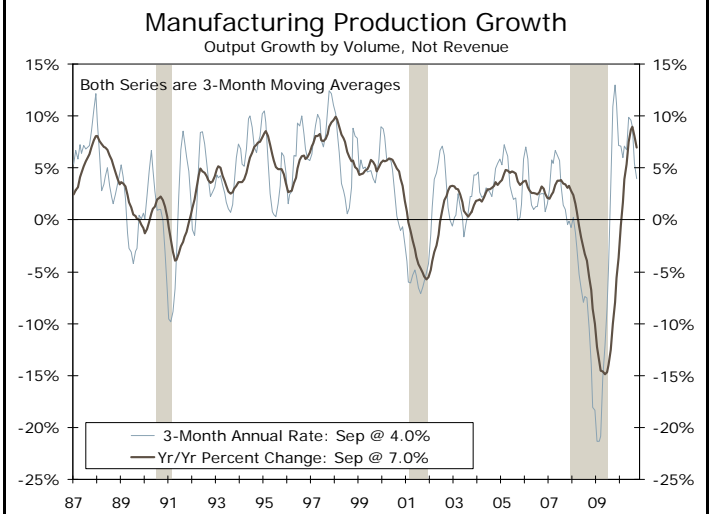
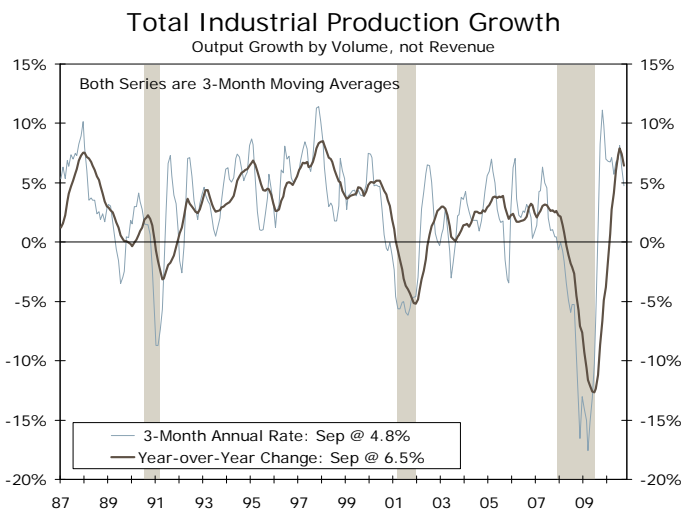
**Industrial production declined 0.2 percent in September—the first monthly decrease since the recession ended in June of 2009. Utilities output dropped 1.9 percent and manufacturing production gave up 0.2 percent.**

**Mostly Unexpected Dip, Slow Growth Ahead**

- Given the expansionary numbers we have seen in the ISM report in recent months, the decline in production comes as something of a surprise. However, the small decline in average weekly hours worked in the factory sector from the employment report did provide some clue that things could deteriorate somewhat. We still expect to see slower growth rather than outright declines in output for the fourth quarter.

**Utilities, Manufacturing Output Both Down**

- Utilities output fell 1.9 percent, but it only comprises 12 percent of total output. Manufacturing production makes up roughly three quarters of total output, and that measure showed a decline of 0.2 percent on the month.
- Capacity utilization fell slightly from an upwardly revised August level. There remains plenty of capacity in the system and at present levels there is little concern for inflationary pressure.



Source: Federal Reserve Board and Wells Fargo Securities, LLC

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