



## Economics Group

**Tim Quinlan, Economist**  
[tim.quinlan@wellsfargo.com](mailto:tim.quinlan@wellsfargo.com) • (704) 410-3283  
**Sarah Watt House, Economist**  
[sarah.house@wellsfargo.com](mailto:sarah.house@wellsfargo.com) • (704) 410-3282

## Strong Industrial Production Report

**Industrial production jumped 1.1 percent in November with gains in most categories. It was the largest monthly increase of 2013 and a welcomed indication of the improvement heralded by the ISM.**

### Broad-based Gains Are a Welcome Sign of Improvement

Prior to this morning's report, orders and production figures had been broadly disappointing in recent months. A gap between multi-year highs in survey data, like the ISM manufacturing index, and hard data on output were confounding efforts to determine which way the winds were blowing in manufacturing.

Though our patience was running thin, our conviction that we would eventually see a modest strengthening in the factory sector was finally justified in what feels like the first unequivocally positive industrial production report in months.

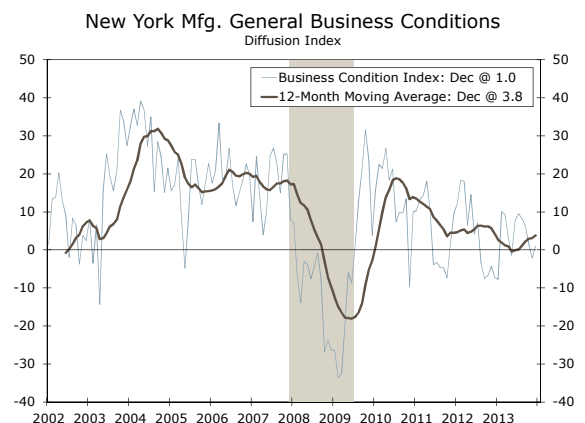
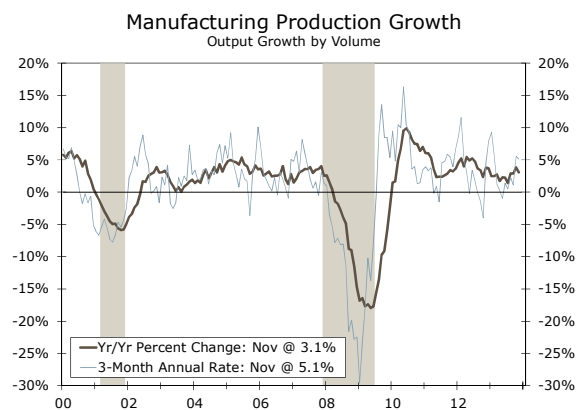
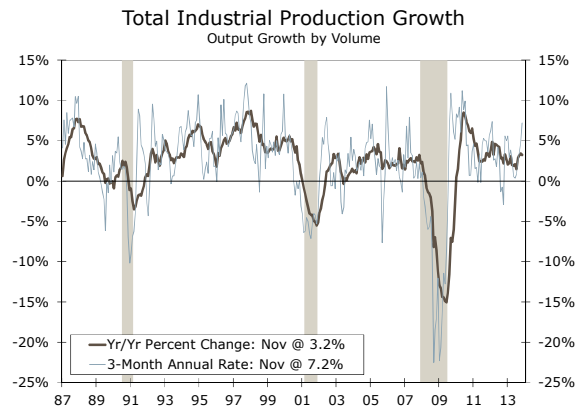
Manufacturing output, which comprises three-quarters of all industrial production, was up 0.6 percent. In terms of the underlying components within manufacturing, production of automobiles and parts was the biggest positive, up 3.4 percent in the month. Gains were not limited to the auto sector, with manufacturing production up 0.5 percent outside of the sometimes volatile auto category. Gains outside of autos were led by a 3.1 percent increase in wood products output and a 1.7 percent increase in production at the country's textile mills.

Mining production, which has a roughly 15 percent share of output, increased 1.7 percent in November. While that is a healthy gain, it comes on the heels of a 1.5 percent drop in October. So, to some extent this is just a reversal of a bad month in October. Utilities production was up 3.9 percent in November, the largest monthly increase in eight months for this choppy category of production.

### What Does This Mean For the Outlook?

There are a few negatives in this report that could have marginally negative implications for GDP, but generally the details of today's report are much more in-line with the gradually improving outlook we have maintained in the face of disappointing data in recent months. Production of primary metals, computer & electronics components, aerospace & miscellaneous transportation equipment and apparel were all negative. However, the back-to-back increases in manufacturing output and the upward revision to last month's figures offer a more optimistic assessment of the factory sector. One robin does not make it Spring however, so we will keep a watchful eye on other leading indicators.

Speaking of which, the New York Federal Reserve's December Empire Manufacturing Index hit the wire earlier this morning and showed that manufacturing in New York and the surrounding area is showing only scant improvement. The headline measure came in at 0.98, and while there were a lot of negative components, the expectations for six months from now are more upbeat.



## Wells Fargo Securities, LLC Economics Group

|                          |  |                                  |                                     |
|--------------------------|--|----------------------------------|-------------------------------------|
| Diane Schumaker-Krieg    | Global Head of Research,<br>Economics & Strategy | (704) 410-1801<br>(212) 214-5070 | diane.schumaker@wellsfargo.com      |
| John E. Silvia, Ph.D.    | Chief Economist                                  | (704) 410-3275                   | john.silvia@wellsfargo.com          |
| Mark Vitner              | Senior Economist                                 | (704) 410-3277                   | mark.vitner@wellsfargo.com          |
| Jay H. Bryson, Ph.D.     | Global Economist                                 | (704) 410-3274                   | jay.bryson@wellsfargo.com           |
| Sam Bullard              | Senior Economist                                 | (704) 410-3280                   | sam.bullard@wellsfargo.com          |
| Nick Bennenbroek         | Currency Strategist                              | (212) 214-5636                   | nicholas.bennenbroek@wellsfargo.com |
| Eugenio J. Alemán, Ph.D. | Senior Economist                                 | (704) 410-3273                   | eugenio.j.aleman@wellsfargo.com     |
| Anika R. Khan            | Senior Economist                                 | (704) 410-3271                   | anika.khan@wellsfargo.com           |
| Azhar Iqbal              | Econometrician                                   | (704) 410-3270                   | azhar.iqbal@wellsfargo.com          |
| Tim Quinlan              | Economist  | (704) 410-3283                   | tim.quinlan@wellsfargo.com          |
| Michael A. Brown         | Economist  | (704) 410-3278                   | michael.a.brown@wellsfargo.com      |
| Sarah Watt House         | Economist  | (704) 410-3282                   | sarah.house@wellsfargo.com          |
| Michael T. Wolf          | Economist  | (704) 410-3286                   | michael.t.wolf@wellsfargo.com       |
| Sara Silverman           | Economic Analyst                                 | (704) 410-3281                   | sara.silverman@wellsfargo.com       |
| Zachary Griffiths        | Economic Analyst                                 | (704) 410-3284                   | zachary.griffiths@wellsfargo.com    |
| Mackenzie Miller         | Economic Analyst                                 | (704) 410-3358                   | mackenzie.miller@wellsfargo.com     |
| Blaire Zachary           | Economic Analyst                                 | (704) 410-3359                   | blaire.a.zachary@wellsfargo.com     |
| Peg Gavin                | Executive Assistant                              | (704) 410-3279                   | peg.gavin@wellsfargo.com            |
| Cyndi Burris             | Senior Admin. Assistant                          | (704) 410-3272                   | cyndi.burris@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. Wells Fargo Securities, LLC. ("WFS") is registered with the Commodities Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. Wells Fargo Bank, N.A. ("WFBNA") is registered with the Commodities Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. WFS and WFBNA are generally engaged in the trading of futures and derivative products, any of which may be discussed within this publication. 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 © 2013 Wells Fargo Securities, LLC.

### Important Information for Non-U.S. Recipients

For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. The content of this report has been approved by WFSIL a regulated person under the Act. WFSIL does not deal with retail clients as defined in the Markets in Financial Instruments Directive 2007. The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients. This document and any other materials accompanying this document (collectively, the "Materials") are provided for general informational purposes only.

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

