

Economic Indicator — January 17, 2024

# Industrial Production Edged Higher In December, but Down for Q4

## Summary

Industrial production notched a modest gain in December but contracted during the fourth quarter. Manufacturing rose slightly. Falling capacity utilization points to a lack of both pricing pressure and things to do for manufacturing workers.

Economist(s)

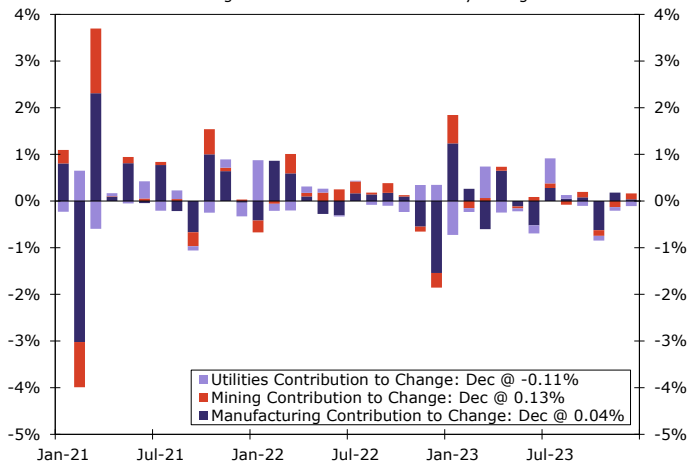
**Tim Quinlan**

Senior Economist | Wells Fargo Economics  
 Tim.Quinlan@wellsfargo.com | 704-410-3283

**Shannon Seery Grein**

Economist | Wells Fargo Economics  
 shannon.grein@wellsfargo.com | 704-410-0369

**Industrial Production by Industry Group**  
 Percentage Point Contribution to Monthly Change



Source: Federal Reserve Board and Wells Fargo Economics

## One Step Up and Two Steps Back

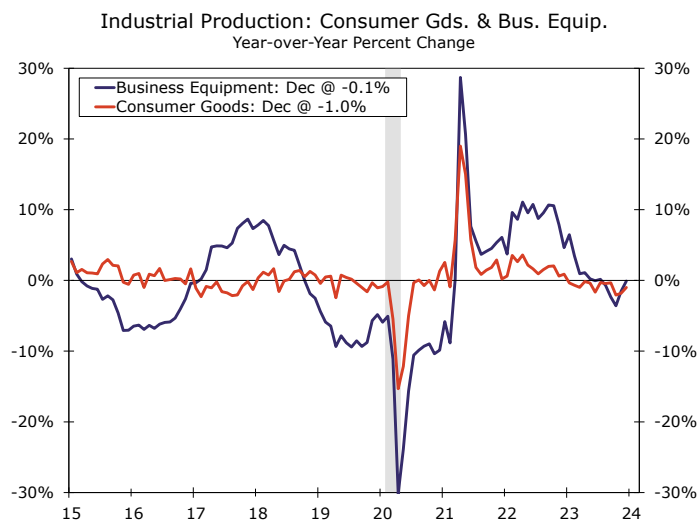
A modest uptick in industrial production for December finishes the year on a somewhat brighter note, but after factoring in a miserable report in October, output contracted at an annualized rate of 3.1% for the fourth quarter as a whole ([chart](#)).

Factory output was up 0.1% in December, but the gain comes at the cost of a downward revision to November which puts the index level not meaningfully changed from where it had been last month ([chart](#)). This is more or less exactly what could be expected with the ISM manufacturing index down for 14 straight months and the production component of that index barely in expansion at 50.3 in December.

In terms of the factors influencing manufacturing production, it was something of a reversal of recent trends. The past year could be broadly characterized as one in which consumer durable production has been under pressure amid a preference for service-related spending on the part of the consumer ([chart](#)). Meanwhile, manufacturing tied in any way to the soaring pace of construction associated with the CHIPS Act has generally been on the upswing. The opposite was evident in today's report with production of consumer goods up 0.2%, largely from increased production of durable consumer goods. Note that motor vehicle production was up 1.6% after the post-strike surge of 7.4% in November. The indexes for business equipment, construction supplies, and business supplies all registered slight declines in December. We do not view either of these developments as the beginning of a new trend.



Source: Federal Reserve Board and Wells Fargo Economics



Source: Federal Reserve Board and Wells Fargo Economics

## Mining and Utilities

Utilities and mining production together may have offered a very incremental lift to overall production, but essentially they just canceled each other out in December. Utilities output was down 1.0%, slightly more than the 0.9% production increase at the nation's mines. Mining activity comprises a roughly 15% share of output, though, whereas utilities accounts for something closer to 10%. This marks the fourth consecutive monthly decline for utilities amid what was one of the warmest years on record in 2023. At some point, a reversal in this notoriously volatile series is inevitable. The cold snap across most of the contiguous United States this week increases the odds that January could be the month for that turnaround in utility production.

Capacity utilization across all industries slipped further in December, though after rounding it came in at 78.6%, similar to November. That makes for the lowest since the autumn of 2021, when capacity was still coming back online after pandemic-era shutdowns. The upside of that is there is apt to be little in the way of price pressures from the manufacturing parts of the economy. The downside is diminished demand for labor if there is growing slack.

**Subscription Information**

To subscribe please visit: [www.wellsfargo.com/economicsemail](http://www.wellsfargo.com/economicsemail)

Via The Bloomberg Professional Services at WFRE

**Economics Group**

Jay H. Bryson, Ph.D.	Chief Economist	704-410-3274	Jay.Bryson@wellsfargo.com
Sam Bullard	Senior Economist	704-410-3280	Sam.Bullard@wellsfargo.com
Nick Bennenbroek	International Economist	212-214-5636	Nicholas.Bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Azhar Iqbal	Econometrician	212-214-2029	Azhar.Iqbal@wellsfargo.com
Charlie Dougherty	Senior Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Senior Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Jackie Benson	Economist	704-410-4468	Jackie.Benson@wellsfargo.com
Shannon Grein	Economist	704-410-0369	Shannon.Grein@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Patrick Barley	Economic Analyst	704-410-1232	Patrick.Barley@wellsfargo.com
Jeremiah Kohl	Economic Analyst	704-410-1437	Jeremiah.J.Kohl@wellsfargo.com
Aubrey George	Economic Analyst	704-410-2911	Aubrey.B.George@wellsfargo.com
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Anna Stein	Economic Analyst	212-214-1063	Anna.H.Stein@wellsfargo.com
Coren Burton	Administrative Assistant	704-410-6010	Coren.Burton@wellsfargo.com

## Required Disclosures

This report is produced by the Economics Group of Wells Fargo Bank, N.A. ("WFBNA"). This report is not a product of Wells Fargo Global Research and the information contained in this report is not financial research. This report should not be copied, distributed, published or reproduced, in whole or in part. WFBNA distributes this report directly and through affiliates including, but not limited to, Wells Fargo Securities, LLC, Wells Fargo & Company, Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Europe S.A., and Wells Fargo Securities Canada, Ltd. Wells Fargo Securities, LLC is registered with the Commodity Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. WFBNA is registered with the Commodity Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and WFBNA are generally engaged in the trading of futures and derivative products, any of which may be discussed within this report.

This publication has been prepared for informational purposes only and is not intended as a recommendation, offer or solicitation with respect to the purchase or sale of any security or other financial product, nor does it constitute professional advice. The information in this report has been obtained or derived from sources believed by WFBNA to be reliable, but has not been independently verified by WFBNA, may not be current, and WFBNA has no obligation to provide any updates or changes. All price references and market forecasts are as of the date of the report or such earlier date as may be indicated for a particular price or forecast. The views and opinions expressed in this report are those of its named author(s) or, where no author is indicated, the Economics Group; such views and opinions are not necessarily those of WFBNA and may differ from the views and opinions of other departments or divisions of WFBNA and its affiliates. WFBNA is not providing any financial, economic, legal, accounting, or tax advice or recommendations in this report, neither WFBNA nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the statements or any information contained in this report, and any liability therefore (including in respect of direct, indirect or consequential loss or damage) is expressly disclaimed. WFBNA is a separate legal entity and distinct from affiliated banks, and is a wholly-owned subsidiary of Wells Fargo & Company. © 2024 Wells Fargo Bank, N.A.

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

For recipients in the United Kingdom, 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 ("FCA"). For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 (the "Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Act for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. For recipients in the EFTA, this report is distributed by WFSIL. For recipients in the EU, it is distributed by Wells Fargo Securities Europe S.A. ("WFSE"). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in MiFID2. This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED - MAY LOSE VALUE - NO BANK GUARANTEE