



Economics Group

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Encouraging Signs in Industrial Production Despite Decline

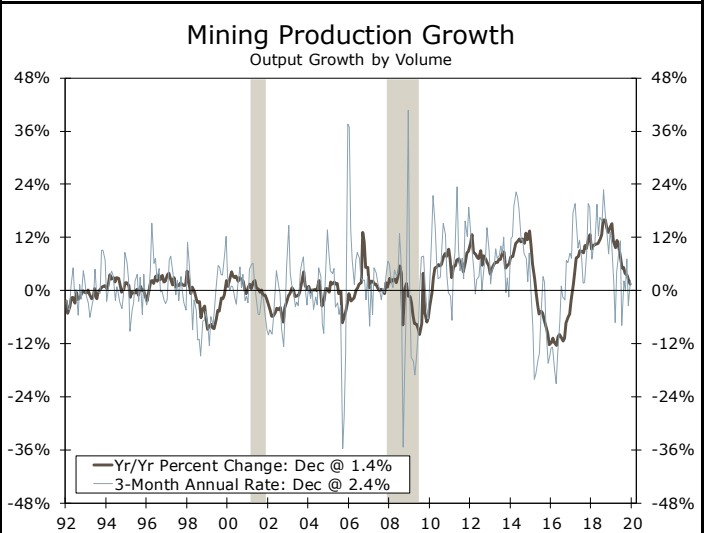
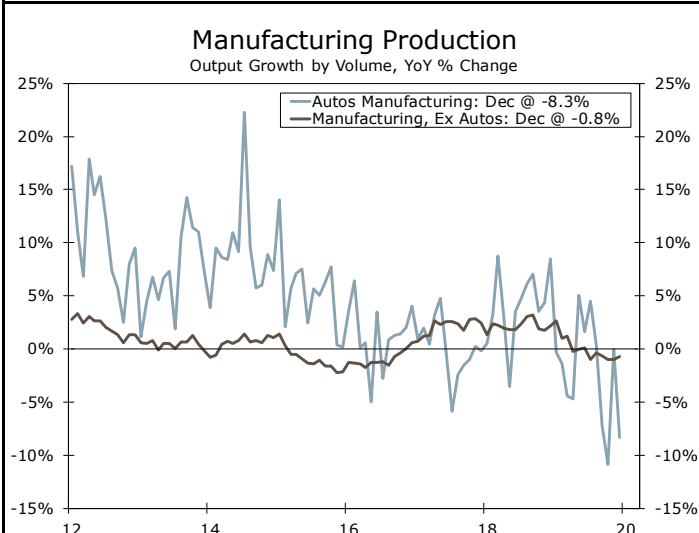
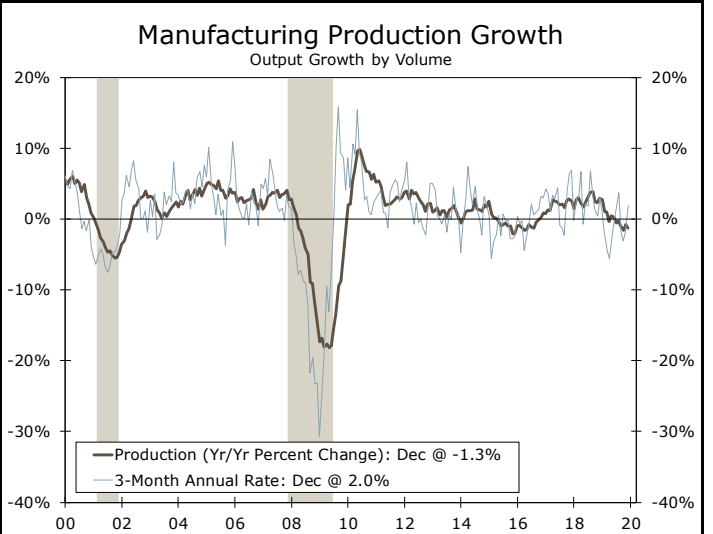
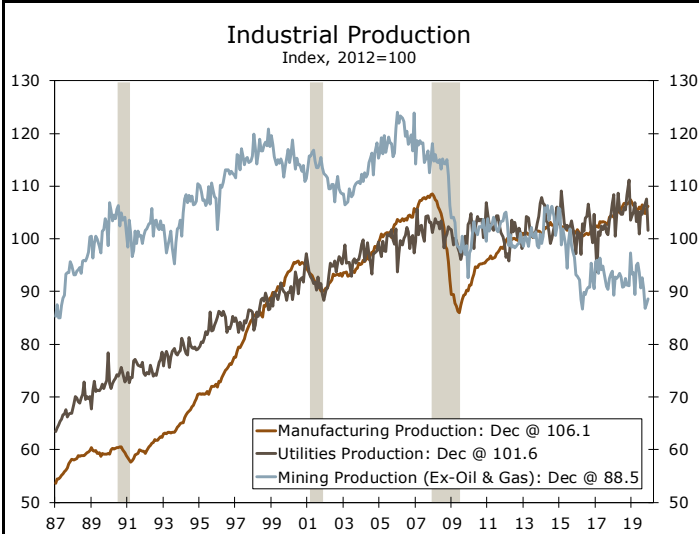
Industrial production fell 0.3% in December on the back of a decline in utilities output. Ex-autos, manufacturing production was up 0.5%, and after a Boeing-related hit in Q1 should improve as trade tensions have eased.

Autos Still Weak, but Manufacturing Up Elsewhere

- Output at the nation’s factories, mines and utility plants slipped 0.3% in December, but the decline was entirely due to a 5.6% plunge in utilities amid unseasonably warm weather.
- Manufacturing output edged up 0.2%. Auto production was weak last month, consistent with weak sales as well as some potential lingering effects of the GM strike. Ex-autos, however, production bounced back a solid 0.5%.

Manufacturing Trend Starting to Improve

- On trend, manufacturing activity shows tentative signs of turning around as headwinds from trade uncertainty have eased to some extent. Boeing’s production halt of the 737 MAX will hit Q1 production, but output should strengthen later in the year.
- Mining activity advanced 1.3% alongside December’s rise in oil prices. Current price levels, however, have kept a lid on new drilling, with support activities slipping a sixth straight month.



Source: Federal Reserve Board and Wells Fargo Securities

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