



Economics Group

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No Slowdown in the Industrial Sector

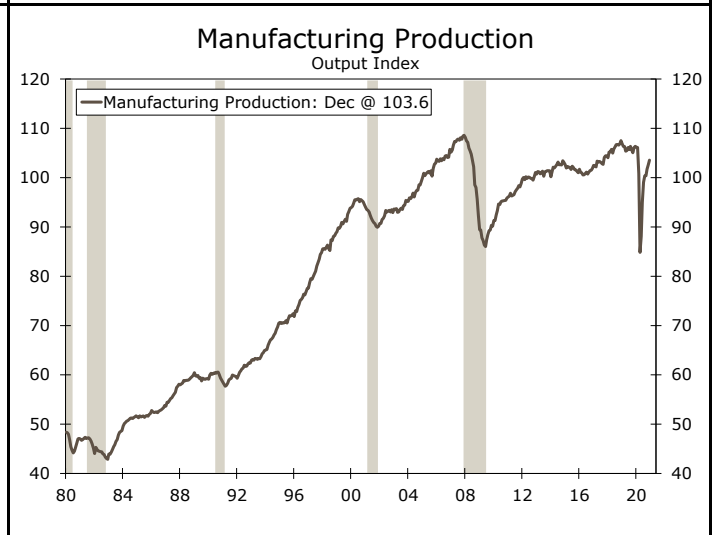
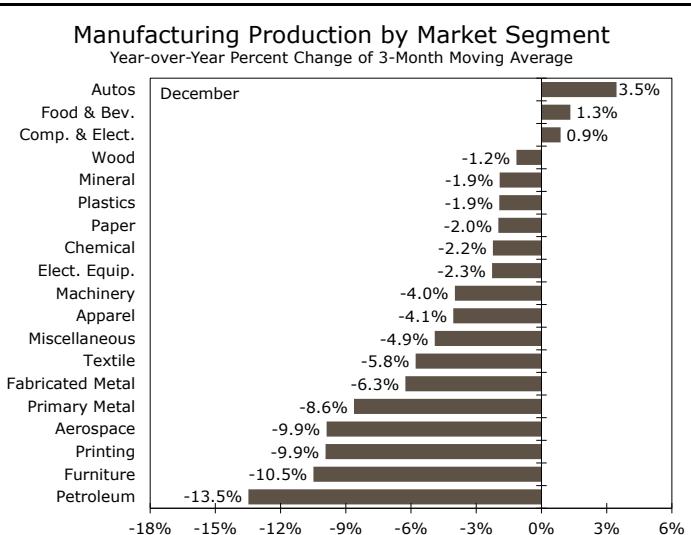
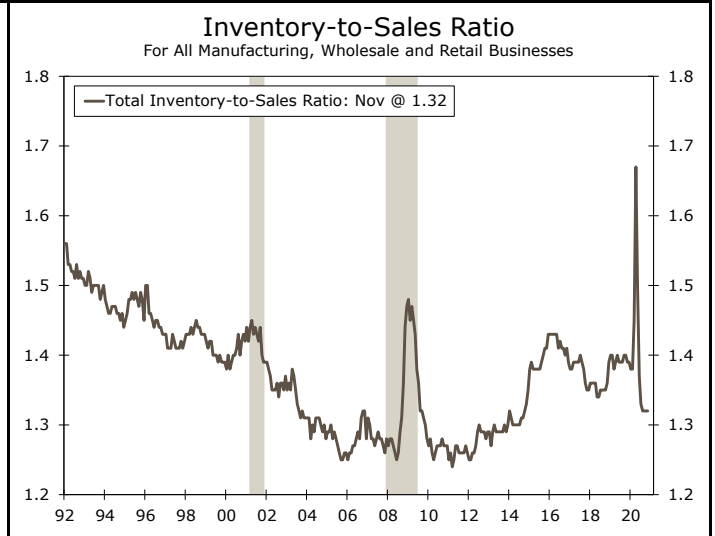
Industrial production rose more than expected in December, including a 1.0% rise in manufacturing output. With retail sales falling and production rising, inventories are recovering after being wiped out earlier in 2020.

Manufacturing Recovery Moves Along

- Spending may be cooling as the latest wave of COVID coincided with fading fiscal support last year, but the industrial sector remains relatively insulated. Industrial production shot up 1.6% in December, in part due to a 6.2% jump in utilities, but more notably a better-than-expected 1.0% increase in manufacturing.
- Gains were widespread, with motor vehicles a notable exception. Yet autos still had a solid 2020, with production up 3.6% yr./yr.

Inventories to Rise, but Won't Dent Production Yet

- The divergent paths of sales and production last month suggest stronger inventory growth over the near term, which should help prop up topline GDP growth.
- But inventories were starting from a lean point, and producers remain bogged down by supply chain disruptions. The backlogs and thin stocks should propel the manufacturing's sector recovery further along in coming months.



Source: Federal Reserve Board, U.S. Department of Commerce and Wells Fargo Securities

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