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U.S. Industrial Production Hits Prerecession Peak

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By JEFFREY SPARSHOTT CONNECT Updated Dec. 16, 2013 4:54 p.m. ET

WASHINGTON—U.S. industrial output in November surpassed its prerecession peak for the first time, the latest sign of momentum for the economic recovery.

Industrial production, which measures the output of U.S. manufacturers, utilities and mines, surged a seasonally adjusted 1.1% from the prior month, the Federal Reserve said Monday. That was the biggest jump in a year.



Enlarge Image The manufacturing component of industrial production remains off peak. Here, a Modern Process Equipment manufacturing facility in Chicago. Bloomberg News

The ascent in part reflects big gains for volatile mining and utilities components, though underlying figures point to steadily rising demand for an array of industrial goods. "It does look like there is a little momentum building here," said J.P. Morgan economist Daniel Silver. "We're getting a little more optimistic as we get these numbers."

Manufacturing, the largest component of industrial production, remains below its prerecession peak. But the sector

expanded 0.6% in November, the fourth straight month of gains. Overall factory output is up 2.9% from a year earlier.

Rising auto output led the increase, with motor-vehicle assemblies at the highest level in eight years.

Other manufacturers also ramped up production, including makers of textiles, oil and coal, wood products, fabricated metals, electrical equipment, appliances, and furniture.

At Innovation Technology Machinery, a factory-equipment manufacturer based in Schertz, Texas, business had been slow through the summer. More companies, however, have been inquiring about new equipment during the past two months, a sign they are closer to expanding, said John Dewey, vice president of operations at ITM.

"If you had asked me three months ago I would have said I was concerned because quotes weren't turning into orders," said Mr. Dewey, whose firm makes machining tools, robotics and handling equipment that other factories use to increase capacity and boost efficiency. "Now they are stronger."

The company, with 32 employees, recently expanded its factory floor space by about half to accommodate more activity.

Other recent measures of the economy have been broadly positive. U.S. employers hired at a steady pace in November and the unemployment rate fell to 7%—its lowest level in five years. Manufacturers added 27,000 jobs during the month, pushing overall factory employment above 12 million workers for the first time since 2009.

Retail sales also posted healthy gains last month, suggesting solid consumer demand for many goods.

Still, the economy repeatedly has shown signs of a breakout since the recession ended in mid-2009 only to fall back to a lackluster pace of about 2% annual growth. Companies that remain uncertain about the sustainability of the recent pickup tend to be cautious about adding jobs.

"Because our global sales numbers next year will be flat to slightly up, hiring will be minimal," said Greg Booth, president and chief executive of Zippo Manufacturing Co., a privately owned firm known for its iconic lighters. "If next year's results are better than forecast, we will hire. We aren't bashful, we go out and get the people we need."

Zippo, based in Bradford, Pa., is more focused on investing in machinery to improve efficiency rather than adding to the company's staff of about 610, Mr. Booth said.

"There is just enough uncertainty [in the U.S.] that people aren't spending like they could. Retailers are just as concerned so they're not stocking as much as they have in the past," Mr. Booth added.

Fed officials this week will weigh a host of data as they consider the next steps for their \$85 billion-a-month bond-buying program, which is designed to hold down interest rates and spur investment and hiring. They will be looking for signs of sustained economic growth when they meet Tuesday and Wednesday.

Monday's report also showed that utility output climbed 3.9% in November because colder-than-average temperatures increased demand for heating. Large fluctuations in utility output usually are tied to weather.

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Mining output, the third component of industrial production, rose 1.7%. Temporary shutdowns of oil and gas rigs in the Gulf of Mexico ahead of tropical storm Karen led to a 1.5% October drop.

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