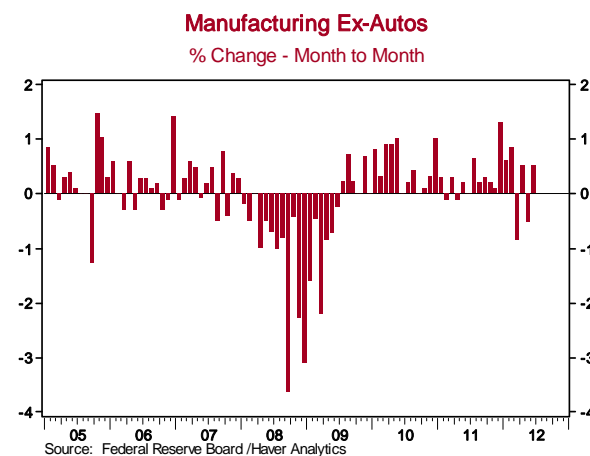
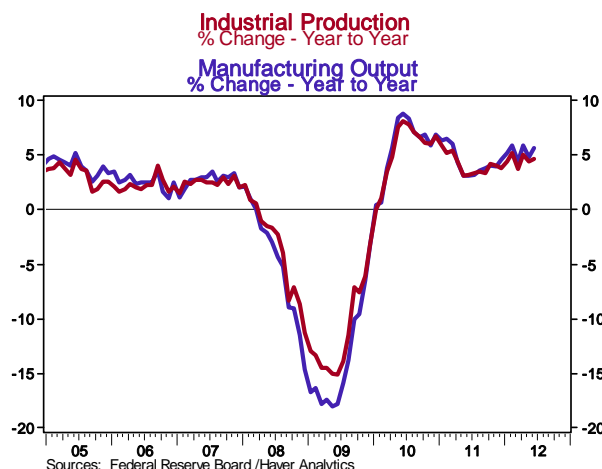


June Industrial Production / Capacity Utilization

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- Industrial production rose 0.4% in June (0.1% including revisions to prior months) versus a consensus expected gain of 0.3%. Production is up 4.6% in the past year.
- Manufacturing, which excludes mining/utilities, rose 0.7% in June (0.3% including downward revisions to prior months). Auto production rose 1.9% in June while non-auto manufacturing gained 0.5%. Auto production is up 26.3% versus a year ago while non-auto manufacturing is up 4.1%.
- The production of high-tech equipment rose 0.2% in June, but is down 0.8% versus a year ago.
- Overall capacity utilization moved up to 78.9% in June from 78.7% in May. Manufacturing capacity use rose to 77.7% in June from 77.3% in May.

Implications: No sign of a recession in today's numbers. Overall industrial production rose 0.4% in June. Manufacturing, which excludes mining and utilities, rose a very strong 0.7%. Industrial production is up 4.6% from a year ago, growing more than twice as fast as real GDP – so much for the idea that manufacturing is lagging. The data we watch most closely is manufacturing production, excluding the auto sector. This rose 0.5% in June, and has risen in 10 of the last 12 months. That's a very good track record, given that manufacturing ex-autos usually falls three or four times a year even during normal economic expansions. In other words, the economy looks to be stirring out of the soft patch, not stagnating further. The report stands in stark contrast to the national ISM manufacturing survey that said manufacturing contracted in June. We attribute that gap to negative sentiment – Europe, energy and politics. Given low inventories, particularly in the auto sector, we expect production to keep growing. Capacity utilization rose to 78.9 in June and it is still up substantially from a year ago. As a result, companies have an increasing incentive to build out plant and equipment. Meanwhile, corporate profits and cash on the balance sheet show they have the ability to make these investments. In other news, the NAHB index, a measure of homebuilder confidence, increased to 35 in July, the highest level in over five years and the largest monthly gain in almost a decade. The plow horse economy continues to move forward.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Jun-12	May-12	Apr-12	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.4%	-0.2%	0.8%	3.8%	3.2%	4.6%
Manufacturing	0.7%	-0.7%	0.7%	3.0%	4.1%	5.6%
Motor Vehicles and Parts	1.9%	-2.2%	3.9%	15.4%	26.3%	26.3%
Ex Motor Vehicles and Parts	0.5%	-0.5%	0.5%	2.2%	2.4%	4.1%
Mining	0.6%	0.1%	0.2%	3.7%	-1.4%	5.2%
Utilities	-2.0%	2.9%	2.3%	13.2%	3.6%	-2.4%
Business Equipment	1.6%	0.1%	1.6%	13.7%	14.7%	12.7%
Consumer Goods	0.1%	-0.1%	0.9%	3.5%	1.3%	2.1%
High-Tech Equipment	0.2%	0.3%	1.2%	7.1%	1.0%	-0.8%
Total Ex. High-Tech Equipment	0.4%	-0.2%	0.7%	3.8%	3.2%	4.9%
Cap Utilization (Total)	78.9	78.7	78.9	3-mo Average	6-mo Average	12-mo Average
Manufacturing	77.7	77.3	77.9	78.8	78.8	78.1
				77.6	77.6	76.7

Source: Federal Reserve Board