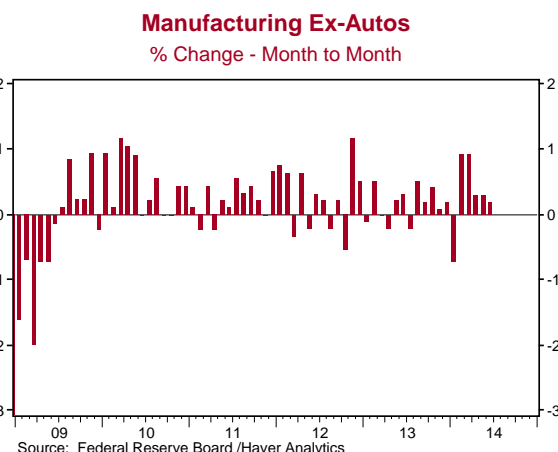
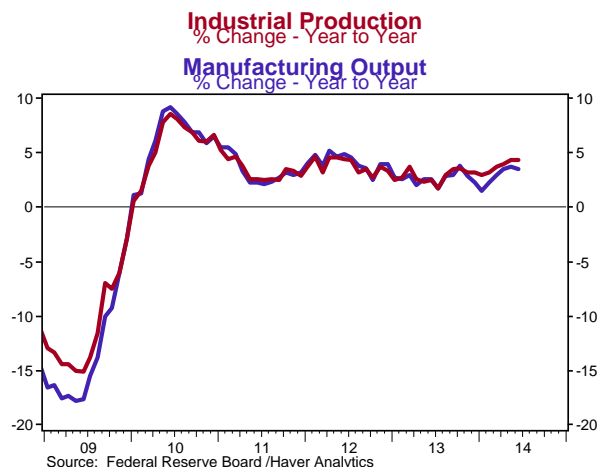


June Industrial Production / Capacity Utilization

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- Industrial production rose 0.2% in June, coming in slightly below the consensus expected gain of 0.3%. Production is up 4.3% in the past year.
- Manufacturing, which excludes mining/utilities, increased 0.1% in June. Auto production declined 0.3% in June while non-auto manufacturing rose 0.2%. Auto production is up 6.8% versus a year ago while non-auto manufacturing is up 3.2%.
- The production of high-tech equipment increased 0.3% in June and is up 6.4% versus a year ago.
- Overall capacity utilization was unchanged at 79.1% in June. Manufacturing capacity declined to 77.1% in June from 77.2% in May.

Implications: A Plow Horse report out of the industrial sector today. Industrial production rose a tepid 0.2% in June, coming in slightly below consensus expectations. But, with the June report, we now have data for all of the second quarter, when production grew at a 5.5% annual rate, the fastest quarter of growth in almost four years. Industrial production is up 4.3% from a year ago while manufacturing output is up 3.6%. We expect continued robust growth in the industrial sector in the months ahead. The housing recovery is still young and both businesses and consumers are in a financial position to ramp up investment and the consumption of big-ticket items, like appliances. In particular, note that the output of high-tech equipment is up 6.4% from a year ago and up at a 11.6% annual rate in the past three months, signaling companies' willingness to upgrade aging equipment from prior years. Capacity utilization now stands at 79.1% in June, and higher than the average of 78.9% over the past twenty years. Further gains in production in the year ahead will push capacity use higher, which means companies will have an increasing incentive to build out plants and equipment. Meanwhile, corporate profits and cash on the balance sheet are close to record highs, showing that companies have the ability to make these investments. In other news today, the NAHB index, which measures confidence among home builders, jumped 4 points to 53 in July, the best reading since January. Looks like a broad pick-up in both sales and foot traffic around the country.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Jun-14	May-14	Apr-14	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.2%	0.5%	0.0%	2.7%	4.6%	4.3%
Manufacturing	0.1%	0.5%	0.3%	3.6%	4.1%	3.6%
Motor Vehicles and Parts	-0.3%	1.9%	0.2%	7.4%	5.2%	6.8%
Ex Motor Vehicles and Parts	0.2%	0.3%	0.3%	3.3%	4.0%	3.2%
Mining	0.9%	1.1%	2.0%	16.9%	14.8%	9.8%
Utilities	-0.3%	-0.4%	-5.2%	-21.3%	-6.6%	1.8%
Business Equipment	0.1%	0.7%	0.4%	4.6%	8.8%	4.7%
Consumer Goods	0.0%	-0.3%	-0.5%	-3.2%	1.2%	3.0%
High-Tech Equipment	0.3%	1.5%	1.0%	11.6%	9.8%	6.4%
Total Ex. High-Tech Equipment	0.2%	0.5%	0.0%	2.8%	4.5%	4.2%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	79.1	79.1	79.0	79.1	78.8	78.5
Manufacturing	77.1	77.2	77.0	77.1	76.7	76.4

Source: Federal Reserve Board