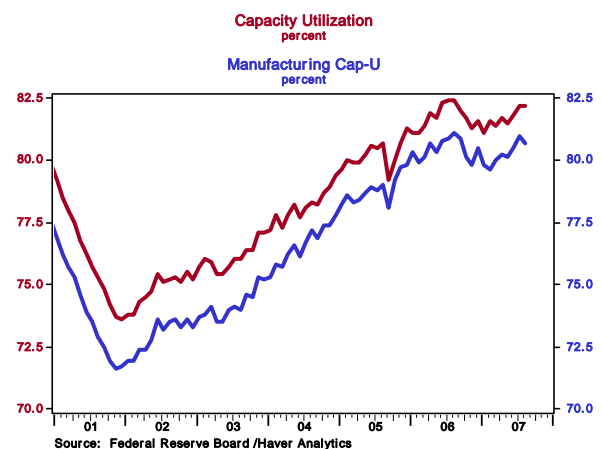
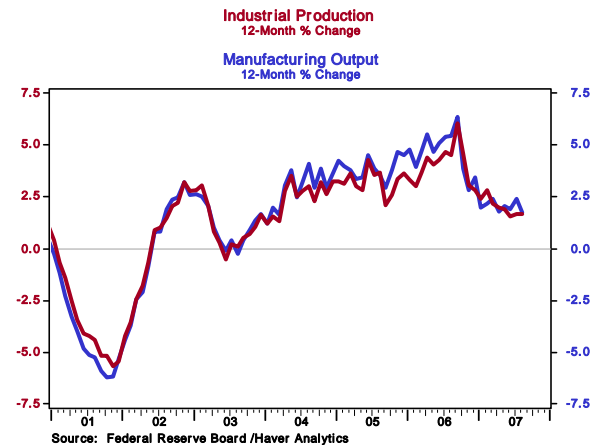


AUGUST INDUSTRIAL PRODUCTION / CAPACITY UTILIZATION

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- Industrial production increased 0.2% in August, slightly less than the consensus expected 0.3%. In the past three months, industrial production is up at a strong 5.0% annual rate.
- Manufacturing production declined 0.3% in August, but was revised upwardly for both June and July. Manufacturing production is up at a 5.0% annual rate in the past three months. The production of high-tech equipment grew 0.8% in August and is up 19.4% versus a year ago.
- Capacity utilization was unchanged from an upwardly revised level of 82.2%. The consensus expected 82.0%. In the manufacturing sector, capacity utilization declined to 80.7%. However, 80.7% was the original estimate for July (which has now been revised up to 81.0%).



Implications: Although output at utilities accounted for all of the gain in industrial production in August, upward revisions to manufacturing in June and July make today's report stronger than it first appears. Productivity gains are helping to lift output even as manufacturing payrolls decline. Moreover, capacity utilization rates are very near cycle highs. In January, during the midst of the inventory correction, the 3-month annualized percent change in industrial production was a negative 1.1%. But this has completely turned, with production up 5.0% at an annual rate in the past three months. In addition, while downward revisions to employment data in June and July worried some analysts, both retail sales and industrial production were revised upwardly. This suggests that the economy has shown little ill-effect from recent market turmoil.

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Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Aug-07	Jul-07	Jun-07	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.2%	0.5%	0.6%	5.0%	3.4%	1.7%
Manufacturing	-0.3%	0.8%	0.7%	5.0%	4.8%	1.7%
Motor Vehicles and Parts	-2.6%	0.7%	2.6%	2.4%	4.5%	-1.3%
Ex Motor Vehicles and Parts	-0.1%	0.8%	0.5%	4.9%	4.8%	2.0%
Mining	-0.7%	0.8%	0.4%	2.0%	0.8%	0.5%
Utilities	5.3%	-1.6%	-0.6%	12.8%	-4.8%	2.3%
Business Equipment	-0.2%	1.2%	0.8%	7.2%	6.6%	3.7%
Consumer Goods	0.1%	0.5%	0.6%	4.5%	1.1%	2.0%
High-Tech Equipment	0.8%	3.3%	2.5%	30.0%	22.6%	19.4%
Total Ex. High-Tech Equipment	0.2%	0.4%	0.5%	4.1%	2.4%	0.8%
Cap Utilization (Total)	82.2	82.2	81.8	3-mo Average	6-mo Average	12-mo Average
Manufacturing	80.7	81.0	80.5	82.1	81.8	81.7
				80.7	80.4	80.3

Source: Federal Reserve Board

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