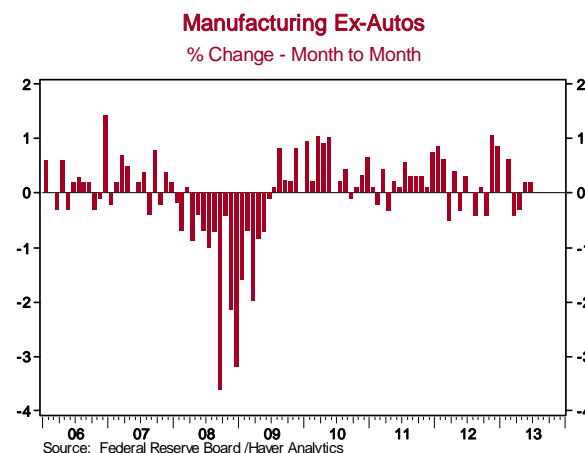
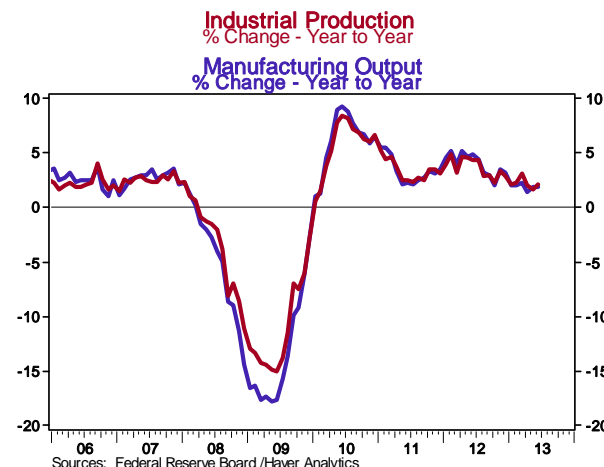


June Industrial Production / Capacity Utilization

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- Industrial production rose 0.3% in June (+0.4% including upward revisions to prior months), matching consensus expectations. Production is up 2.1% in the past year.
- Manufacturing, which excludes mining/utilities, rose 0.3% in June (+0.4% including upward revisions to prior months). Auto production rose 1.2% in June, while non-auto manufacturing increased 0.2%. Auto production is up 5.9% versus a year ago while non-auto manufacturing is up 1.5%.
- The production of high-tech equipment rose 1.2% in June, and is up 6.2% versus a year ago.
- Overall capacity utilization rose to 77.8% in June from 77.7% in May. Manufacturing capacity use increased to 76.1% in June from 76.0% in May.

Implications: Another piece of economic data, another Plow Horse report. Both overall industrial production and manufacturing output rose 0.3% in June and, with revisions prior months, were up 0.4%. This is nothing to write home about as overall production is up only 2.1% over the past year and unchanged over the past three months. Over the past year, the auto sector has led the manufacturing gains, up 5.9%, but even manufacturing outside the auto sector has done OK, up 1.5%. We expect the gap between those two growth rates to narrow considerably in the year ahead, with slower growth (but still growth!) in autos and faster growth elsewhere in manufacturing. Overall, we expect production to pick up steam as the housing recovery is still in its very early stages and demand for autos and other durables remains strong. Capacity utilization rose to 77.8% in June, not far off from the average of 79.0% in the past 20 years. Continued gains in production should 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 at record highs, showing they have the ability to make these investments. In other news this morning, the NAHB index, which measures confidence among home builders, rose to 57 in July from 51 in June. This was the highest level since January 2006. Expect more gains in home sales in the months ahead.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Jun-13	May-13	Apr-13	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.3%	0.0%	-0.3%	0.0%	1.8%	2.1%
Manufacturing	0.3%	0.2%	-0.3%	0.8%	1.2%	2.2%
Motor Vehicles and Parts	1.2%	0.5%	-0.4%	5.4%	3.1%	5.9%
Ex Motor Vehicles and Parts	0.2%	0.2%	-0.3%	0.4%	0.6%	1.5%
Mining	0.8%	0.4%	0.6%	7.5%	3.3%	4.4%
Utilities	-0.1%	-2.7%	-1.6%	-16.6%	7.7%	-0.3%
Business Equipment	0.6%	-0.1%	-0.2%	1.2%	1.8%	2.3%
Consumer Goods	0.5%	-0.3%	-0.3%	-0.4%	3.2%	2.2%
High-Tech Equipment	1.2%	2.3%	2.3%	25.6%	14.3%	6.2%
Total Ex. High-Tech Equipment	0.3%	-0.1%	-0.4%	-0.8%	1.5%	1.9%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	77.8	77.7	77.9	77.8	77.9	77.7
Manufacturing	76.1	76.0	75.9	76.0	76.2	75.9

Source: Federal Reserve Board