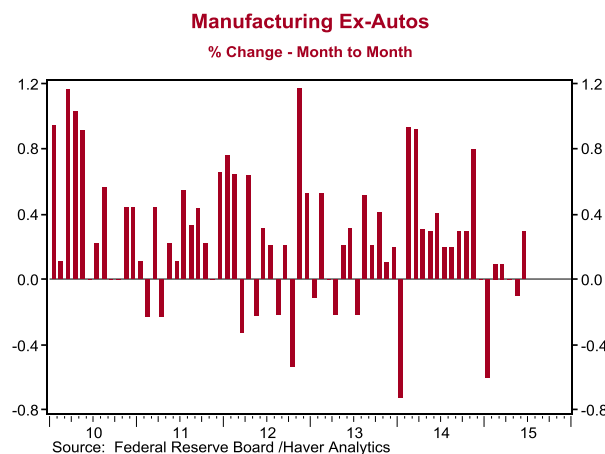
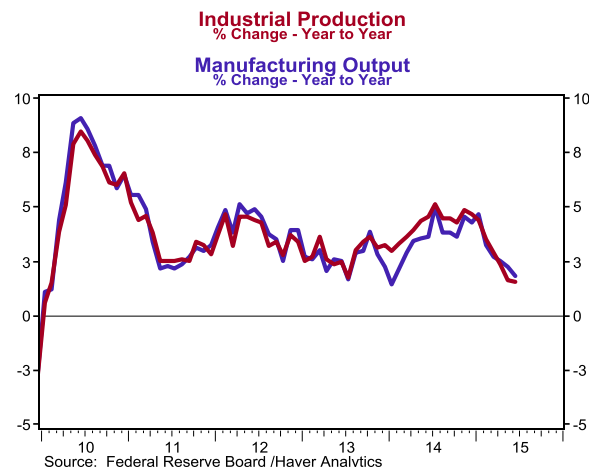


June Industrial Production / Capacity Utilization

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- Industrial production increased 0.3% in June (+0.6% including revisions to prior months), beating the consensus expected increase of 0.2%. Production is up 1.5% in the past year.
- Manufacturing, which excludes mining/utilities, was unchanged in June, but increased 0.5% including revisions to prior months. Auto production declined 3.7% in June, while non-auto manufacturing rose 0.3%. Auto production is up 4.0% versus a year ago while non-auto manufacturing is up 1.6%. Utility output rose 1.5% in June, while mining increased 1.0%.
- The production of high-tech equipment increased 0.8% in June but is down 0.5% versus a year ago.
- Overall capacity utilization rose to 78.4% in June from 78.2% in May. Manufacturing capacity utilization declined to 77.2% in June.

Implications: A solid report out of the industrial sector today. Manufacturing outside the volatile auto sector, the most useful part of the report, rose 0.3% in June, the same as overall industrial production. Meanwhile, a 3.7% decline in auto output offset gains in both mining and utilities. The gain in mining probably reflects some stabilization in energy prices. Although the index for “oil & gas well drilling” declined for the ninth consecutive month, the 3.7% drop in June was the smallest since December. Meanwhile, crude oil extraction was up 3.1% in June, the largest increase since December, which helped overall mining increase by 1.0%. However, we also notice that mining has increased in the last month of every calendar quarter going back more than two years, so the gain in June may also be due to outdated “seasonal” factors as well. If so, next Tuesday the Fed will release revisions for industrial production going back several years that may fix that problem. Overall industrial production and manufacturing ex-autos are up 1.5% and 1.6%, respectively, from a year ago and the fundamentals favoring further growth remain in place. Companies are sitting on huge cash reserves and profits are close to record highs. Meanwhile, at 78.4%, capacity utilization remains close to the average of 78.6% over the past twenty years, so further gains in production will give companies an incentive to build out plants and buy equipment. In other manufacturing news today, the Empire State index, a measure of manufacturing sentiment in New York, came in at 3.9 in July versus -2.0 in June. Taken as a whole, today’s data are consistent with our current estimate that real GDP grew at a 3% annual rate in the second quarter. The Plow Horse economy remains alive and well.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Jun-15	May-15	Apr-15	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.3%	-0.2%	-0.5%	-1.5%	-1.1%	1.5%
Manufacturing	0.0%	0.1%	0.1%	0.8%	-0.4%	1.8%
Motor Vehicles and Parts	-3.7%	2.3%	1.5%	0.3%	0.2%	4.0%
Ex Motor Vehicles and Parts	0.3%	-0.1%	0.0%	0.8%	-0.4%	1.6%
Mining	1.0%	-2.1%	-0.2%	-5.1%	-8.1%	-0.8%
Utilities	1.5%	1.3%	-5.2%	-9.8%	7.3%	4.3%
Business Equipment	0.4%	0.6%	-0.1%	3.7%	2.0%	3.0%
Consumer Goods	0.0%	0.1%	-1.1%	-3.9%	1.2%	2.5%
High-Tech Equipment	0.8%	0.0%	-0.2%	2.5%	-1.7%	-0.5%
Total Ex. High-Tech Equipment	0.4%	-0.3%	-0.5%	-1.5%	-1.0%	1.7%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	78.4	78.2	78.5	78.4	78.7	79.1
Manufacturing	77.2	77.3	77.3	77.3	77.3	77.5

Source: Federal Reserve Board

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.