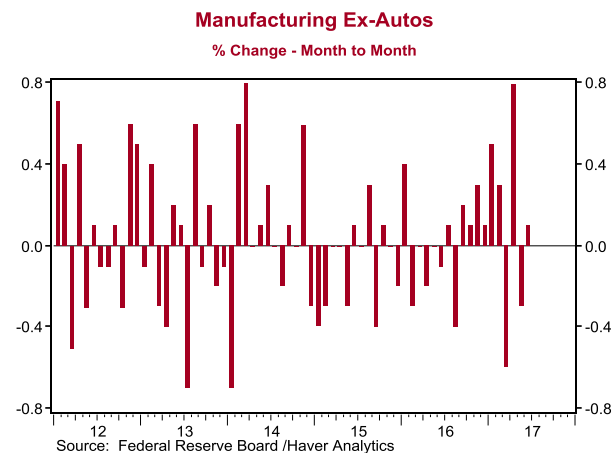
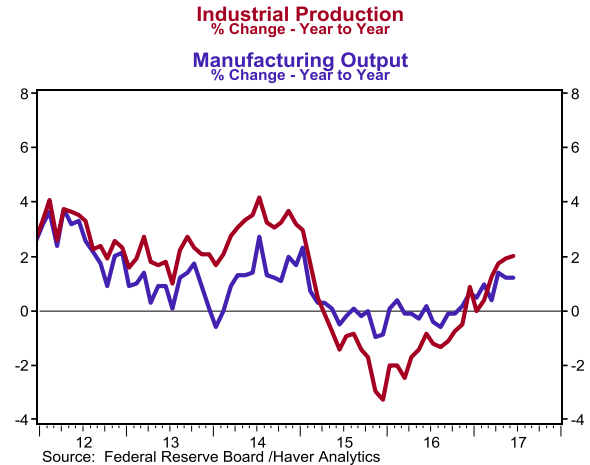


June Industrial Production / Capacity Utilization

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- Industrial production rose 0.4% in June (0.2% including revisions to prior months), versus a consensus expected gain of 0.3%. Utility output rose 0.1%, while mining rose 1.6%.
- Manufacturing, which excludes mining/utilities, rose 0.2% in June (including revisions to prior months, manufacturing declined 0.1%). Auto production increased 0.7% while non-auto manufacturing rose 0.1%. Auto production is up 0.9% versus a year ago while non-auto manufacturing is up 1.2%.
- The production of high-tech equipment rose 0.8% in June and is up 8.0% versus a year ago.
- Overall capacity utilization ticked up to 76.6% in June from 76.4% in May. Manufacturing capacity utilization rose to 75.4% in June from 75.3% in May.

Implications: Industrial production rose for the fifth consecutive month in June, beating consensus expectations and signaling an uptick in activity across the board. The headline measure for industrial activity rose 0.4% in June and is now up 2% from a year ago. Manufacturing, which excludes mining and utilities, bounced back in June, rising 0.2%. This gain was primarily due to a 0.7% jump in the volatile auto sector, though “core” industrial production, which is manufacturing excluding autos, rose 0.1% as well. Manufacturing has begun to accelerate recently, up at a 3.2% annual rate in the past three months versus a gain of 1.2% in the past year. And this isn’t just due to auto production either, both “core” and auto manufacturing are showing similar accelerating patterns in the past three months versus their year ago measures. Another major contribution to today’s headline number came from mining which jumped 1.6% in June, and is now up at an 18.4% annual rate in the past three months versus 9.9% in the past year. Further, oil and gas-well drilling posted its thirteenth consecutive gain in June, jumping 6.9%, and is now up a massive 115% at an annual rate in the past three months. Based on other commodity prices, we think oil prices are below “fair value” range, but with oil companies profitable at current prices mining should stay in recovery after the problems of the past two years.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Jun-17	May-17	Apr-17	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.4%	0.1%	0.8%	5.5%	2.7%	2.0%
Manufacturing	0.2%	-0.4%	1.0%	3.2%	1.4%	1.2%
Motor Vehicles and Parts	0.7%	-2.2%	4.1%	10.5%	-2.1%	0.9%
Ex Motor Vehicles and Parts	0.1%	-0.3%	0.8%	2.4%	1.6%	1.2%
Mining	1.6%	1.9%	0.7%	18.4%	18.7%	9.9%
Utilities	0.1%	0.8%	0.2%	4.4%	-6.8%	-2.2%
Business Equipment	0.2%	-1.0%	1.5%	2.8%	0.8%	0.8%
Consumer Goods	0.0%	0.1%	1.5%	6.7%	0.0%	0.2%
High-Tech Equipment	0.8%	0.7%	2.1%	15.3%	5.2%	8.0%
Total Ex. High-Tech Equipment	0.3%	0.1%	0.8%	4.7%	2.5%	1.8%
Cap Utilization (Total)	76.6	76.4	76.4	3-mo Average	6-mo Average	12-mo Average
Manufacturing	75.4	75.3	75.7	76.5	76.1	75.9
				75.5	75.4	75.2

Source: Federal Reserve Board

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