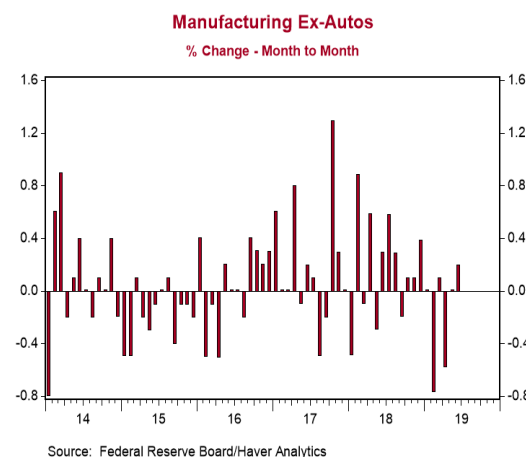
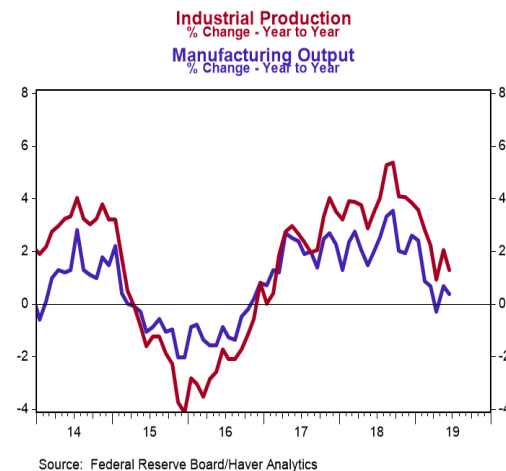


June Industrial Production / Capacity Utilization

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- Industrial production was unchanged in June, just below the consensus expected gain of 0.1%. Mining output rose 0.2% in June, while utilities declined 3.6%.
- Manufacturing, which excludes mining/utilities, rose 0.4% in June. Auto production increased 2.9%, while non-auto manufacturing rose 0.2%. Auto production is up 2.4% versus a year ago, while non-auto manufacturing is up 0.2%.
- The production of high-tech equipment rose 0.7% in June and is up 5.1% versus a year ago.
- Overall capacity utilization declined to 77.9% in June from 78.1% in May. Manufacturing capacity utilization rose to 75.9% in June from 75.6% in May.

Implications: Don't be fooled by the weak headline number this morning; the details of today's report continue to demonstrate resiliency from the industrial sector. Nearly all the month's weakness was from utilities, which fell 3.6% due to milder-than-usual temperatures in June that reduced the demand for air conditioning. (It was the coolest June for the contiguous 48 states since 2009.) Aside from that series, gains were broad-based. Auto manufacturing rose 2.9% in June following a similarly strong gain of 2.2% in May. Meanwhile, manufacturing outside the auto sector (which represents the majority of activity) rose 0.2%. Putting the two series together shows overall manufacturing rose 0.4% in June. Even though non-auto manufacturing is only up a tepid 0.2% in the past year, the various capital goods production indices continue to outperform the broader index. For example, over the past twelve months business equipment is up 1.8%, high-tech equipment is up 5.1%, and durable goods more generally are up 1.4%. By contrast non-durable goods production is down 0.5%, demonstrating that the ongoing weakness in non-auto manufacturing growth isn't being driven by the death of business investment. It's also important to keep in mind that manufacturing is only responsible for about 11% of GDP and is much more sensitive to global demand than other sectors of the economy. Finally, mining activity posted a 0.2% increase in June, hitting a new record high. In the past year mining is up 8.7%, showing the fastest year-over-year growth of any major category. In other recent news from the manufacturing sector, the Empire State Index, which measures factory sentiment in the New York region, jumped back into positive territory by rising to +4.3 in July from -8.6 in June. Expect similar rebounds from the various other regional manufacturing surveys in the month ahead. On the housing front, the NAHB index, which measures homebuilder sentiment, rose to 65 in July from 64 in June. The higher optimism was driven by expectations of stronger sales activity and buyer foot traffic.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Jun-19	May-19	Apr-19	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.0%	0.4%	-0.5%	-0.4%	-1.8%	1.3%
Manufacturing	0.4%	0.2%	-0.7%	0.0%	-2.2%	0.4%
Motor Vehicles and Parts	2.9%	2.2%	-0.9%	18.2%	-5.9%	2.4%
Ex Motor Vehicles and Parts	0.2%	0.0%	-0.6%	-1.5%	-2.1%	0.2%
Mining	0.2%	0.2%	2.6%	12.5%	2.3%	8.7%
Utilities	-3.6%	2.3%	-3.3%	-17.1%	-3.3%	-2.6%
Business Equipment	0.5%	0.4%	-1.5%	-2.3%	-2.1%	1.8%
Consumer Goods	0.0%	0.5%	-1.7%	-4.8%	-3.3%	-0.8%
High-Tech Equipment	0.7%	0.7%	0.0%	5.4%	9.0%	5.1%
Total Ex. High-Tech Equipment	-0.1%	0.5%	-0.6%	-0.7%	-2.0%	1.2%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	77.9	78.1	77.9	78.0	78.3	78.8
Manufacturing	75.9	75.6	75.6	75.7	76.1	76.5

Source: Federal Reserve Board