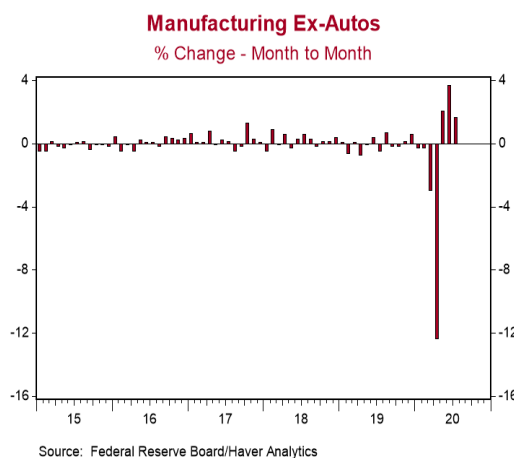
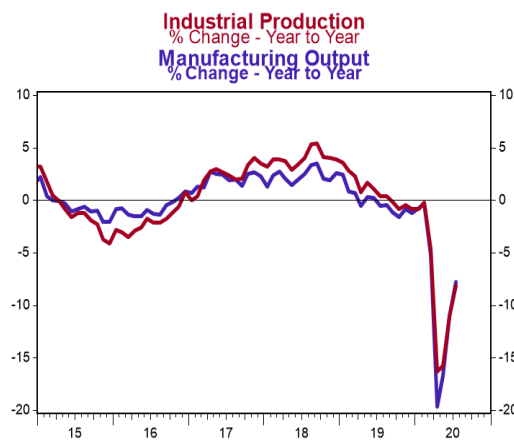


July Industrial Production / Capacity Utilization

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- Industrial production increased 3.0% in July, matching consensus expectations. Utilities output rose 3.3% in July, while mining increased 0.8%.
- Manufacturing, which excludes mining/utilities, increased 3.4% in July. Auto production jumped 28.3%, while non-auto manufacturing rose 1.6%. Auto production is down 1.4% versus a year ago, while non-auto manufacturing is down 8.3%.
- The production of high-tech equipment increased 1.6% in July and is up 4.6% versus a year ago.
- Overall capacity utilization increased to 70.6% in July from 68.5% in June. Manufacturing capacity utilization rose to 69.2% in July from 66.9%.

Implications: The industrial sector continued its recovery in July, posting the second largest monthly gain (beaten only by June) going back to 1959. However, that improvement continues from a low baseline. Even with July’s impressive headline gain, industrial production has made up roughly half of the decline seen in March and April. While there is still some ways to go before a full recovery, the details of today’s report were healthy. Within manufacturing, auto production surged 28.3% in July, following 100%+ increases in May and June, as car and truck factories continued to resume operations. With the July jump, auto manufacturing now stands just 1.4% below year-ago levels, and is virtually even with where the index stood back in February. Meanwhile, non-auto manufacturing rose 1.6% in July, also a multi-decade high with the exception of last month’s surge. While some sectors of the economy - like restaurants, bars, and hotels - remain at risk, the factory sector appears better positioned for further recovery. Outside the factory sector, activity was also positive. Utilities output rose 3.3% in July, led by electricity demand. Meanwhile mining increased 0.8%, as oil and coal extraction led most mining categories in moving higher on the month. Crude oil prices are comfortably off the lows seen during the heart of shutdown activity, but remain down roughly 35% since the beginning of January and below the break-even level for many US producers, constraining growth in activity. One bright spot is that the number of oil and gas rigs in the US has leveled off after falling roughly 65% since the pandemic began, so it looks like most of the damage is behind us. As economic activity continues to rebound, demand for energy grows, and the surviving firms consolidate, mining eventually will be a tailwind for industrial production. On the capacity side, utilization ticked up to 70.6 in July, steadily inching back towards the readings in the mid-to-upper 70’s seen to start this year. The path to recovery is under way, and today’s data provides further evidence that the march forward is on steady ground.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Jul-20	Jun-20	May-20	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	3.0%	5.7%	0.9%	45.7%	-15.8%	-8.2%
Manufacturing	3.4%	7.4%	3.8%	75.8%	-15.5%	-7.7%
Motor Vehicles and Parts	28.3%	118.2%	110.9%	121483.0%	6.1%	-1.4%
Ex Motor Vehicles and Parts	1.6%	3.7%	2.1%	33.7%	-17.0%	-8.3%
Mining	0.8%	-0.3%	-11.3%	-37.0%	-35.6%	-17.0%
Utilities	3.3%	2.1%	-0.6%	20.9%	15.4%	0.6%
Business Equipment	5.1%	11.8%	7.1%	150.1%	-22.0%	-13.9%
Consumer Goods	4.6%	8.6%	4.1%	95.3%	-2.7%	-2.3%
High-Tech Equipment	1.6%	2.1%	-0.3%	14.4%	1.6%	4.6%
Total Ex. High-Tech Equipment	3.0%	5.7%	0.9%	45.8%	-16.3%	-8.4%
Cap Utilization (Total)	70.6	68.5	64.8	3-mo Average	6-mo Average	12-mo Average
Manufacturing	69.2	66.9	62.3	68.0	69.8	73.5
				66.1	67.5	71.3

Source: Federal Reserve Board