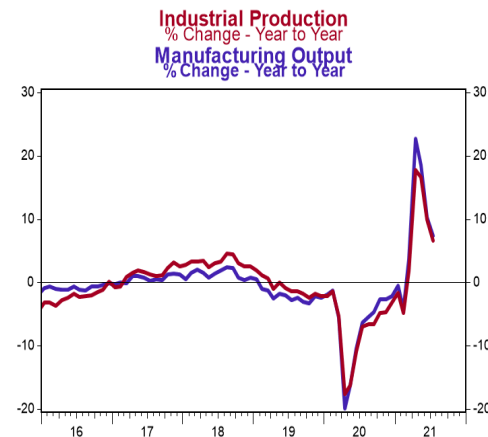


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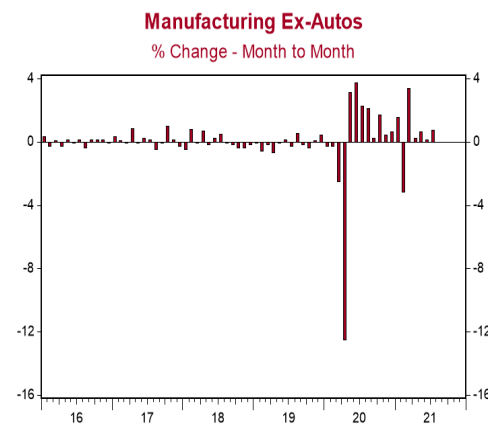
July Industrial Production / Capacity Utilization

- Industrial production increased 0.9% in July (+1.0% including revisions to prior months), beating the consensus expected gain of 0.5%. Utilities output declined 2.0% in July, while mining rose 1.2%.
- Manufacturing, which excludes mining/utilities, rose 1.4% in July (+1.1% including revisions to prior months). Auto production increased 11.3%, while non-auto manufacturing rose 0.7%. Auto production is down 6.9% versus a year ago, while non-auto manufacturing is up 8.6%.
- The production of high-tech equipment was unchanged in July but is up 12.1% versus a year ago.
- Overall capacity utilization increased to 76.1% in July from 75.4% in June. Manufacturing capacity utilization rose to 76.6% in July from 75.5%.

Implications: Industrial production beat expectations in July, led by auto manufacturers doing everything they can to overcome the ongoing supply chain shortages that have hampered production. Last month, that meant reducing or canceling typical summer auto plant shutdowns to keep machines rolling off the assembly line, pushing auto manufacturing up 11.3% on a seasonally adjusted basis. Things are not back to “normal” in the auto industry, and likely won’t be for some time, as emerging markets have been particularly impacted by restrictions in response to the Delta variant, in turn impacting semiconductor production and shipments. Outside the auto sector, manufacturing rose 0.7% in July, and is now at levels not seen since early 2019. Keep in mind that it is not only supply chain issues that are hampering a more robust rise in activity, but also the ongoing labor shortage, with job openings in the sector near a record high and more than double pre-pandemic levels. Mining activity continued to recover in July, rising 1.2%, and is likely to be an ongoing tailwind in the months ahead as global energy use continues to recover. For now, the mining index remains down 9.1% from pre-pandemic levels. Look for a continued upward trend in overall industrial production in the months ahead as Delta concerns subside and reopening continues, supply chain issues are gradually ironed out, and labor disincentives dissipate. In housing news this morning, the NAHB index, a gauge of homebuilder sentiment, declined to 75 in August from 80 in July. While this index has been falling since hitting a record high of 90 in November 2020, it's important to keep in context that until the red-hot housing market at the tail-end of 2020, readings of 75+ have very rarely happened in the history of this indicator going back to the mid-1980s. Moreover, the current reading of 75 sits well above the pre-pandemic 2019 average of 66, signaling just how strong the housing market remains versus a "normal" year.



Source: Federal Reserve Board/Haver Analytics



Source: Federal Reserve Board/Haver Analytics

Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Jul-21	Jun-21	May-21	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.9%	0.2%	0.8%	7.9%	3.4%	6.5%
Manufacturing	1.4%	-0.3%	1.1%	8.9%	2.7%	7.3%
Motor Vehicles and Parts	11.3%	-5.9%	7.1%	58.2%	-7.2%	-6.9%
Ex Motor Vehicles and Parts	0.7%	0.1%	0.6%	5.8%	3.5%	8.6%
Mining	1.2%	0.5%	1.5%	13.6%	10.1%	12.1%
Utilities	-2.0%	3.0%	-1.5%	-2.3%	0.8%	-3.8%
Business Equipment	2.8%	-0.6%	1.7%	16.6%	3.9%	9.7%
Consumer Goods	1.0%	-0.5%	0.9%	5.8%	0.0%	2.2%
High-Tech Equipment	0.0%	0.4%	0.9%	5.2%	8.8%	12.1%
Total Ex. High-Tech Equipment	0.9%	0.2%	0.8%	7.9%	3.3%	6.5%
Cap Utilization (Total)	76.1	75.4	75.3	3-mo Average	6-mo Average	12-mo Average
Manufacturing	76.6	75.5	75.8	75.6	74.8	74.1
				76.0	75.2	74.4

Source: Federal Reserve Board