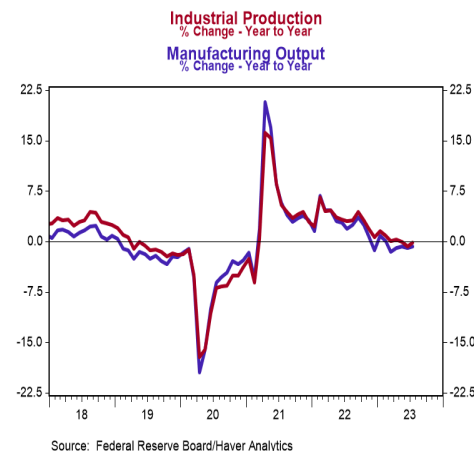


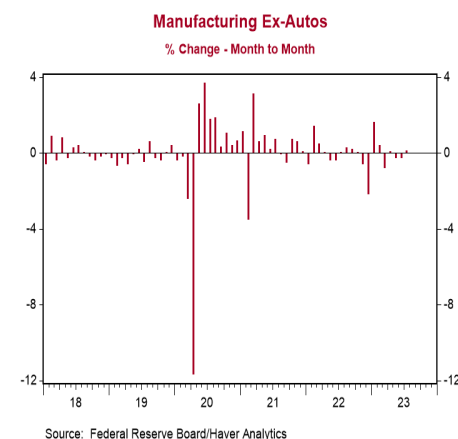
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July Industrial Production / Capacity Utilization

- Industrial production jumped 1.0% in July (+0.7% including revisions to prior months) easily beating the consensus expected gain of 0.3%. Utilities output rose 5.4% in July, while mining increased 0.5%.
- Manufacturing, which excludes mining/utilities, rose 0.5% in July. Auto production jumped 5.2%, while non-auto manufacturing increased 0.1%. Auto production is up 10.4% in the past year, while non-auto manufacturing is down 1.5%.
- The production of high-tech equipment rose 1.6% in July and is up 5.9% versus a year ago.
- Overall capacity utilization increased to 79.3% in July from 78.6% in June. Manufacturing capacity utilization rose to 77.8% in July from 77.5%.



Implications: Industrial production surprised to the upside in July, easily beating consensus expectations to post the largest monthly gain since January. Looking at the details, the strength in today’s report was broad-based with every major category posting a gain. The manufacturing sector was the biggest positive contributor in July, with activity rising 0.5%, the first gain in three months. Both auto and non-auto manufacturing posted increases, rising 5.2% and 0.1%, respectively. Given the trend of consumers shifting their preferences back toward services and away from goods, we don’t expect manufacturing activity to continue to strengthen in future months. We are still forecasting a recession ahead with the goods sector leading the way. The utilities sector (which is volatile and largely dependent on weather) was another source of strength in July, posting a gain of 5.4%. The Federal Reserve points out that the increase was driven by higher-than-normal temperatures in July, which pushed up demand for air conditioning. Finally, output in the mining sector increased 0.5% in July, also the first gain in three months. A faster pace of oil and gas extraction more than offset declines in the mining of other commodities and the drilling of new wells. Given that the mining index remains below its pre-pandemic highs, we expect this series to be a lifeline for industrial production in the near term.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Jul-23	Jun-23	May-23	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	1.0%	-0.8%	-0.4%	-0.8%	0.8%	-0.2%
Manufacturing	0.5%	-0.5%	-0.3%	-1.2%	0.0%	-0.7%
Motor Vehicles and Parts	5.2%	-4.0%	0.8%	7.7%	20.7%	10.4%
Ex Motor Vehicles and Parts	0.1%	-0.3%	-0.3%	-2.0%	-1.6%	-1.5%
Mining	0.5%	-0.9%	-0.7%	-4.3%	-1.3%	2.1%
Utilities	5.4%	-3.0%	-0.7%	6.3%	9.3%	-0.9%
Business Equipment	0.9%	-0.3%	-0.5%	0.4%	-1.2%	-0.3%
Consumer Goods	1.4%	-1.5%	-0.8%	-3.4%	1.4%	0.2%
High-Tech Equipment	1.6%	2.1%	0.5%	17.8%	18.2%	5.9%
Total Ex. High-Tech Equipment	1.0%	-0.9%	-0.4%	-1.2%	0.4%	-0.4%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	79.3	78.6	79.4	79.1	79.4	79.8
Manufacturing	77.8	77.5	78.0	77.8	78.0	78.4

Source: Federal Reserve Board