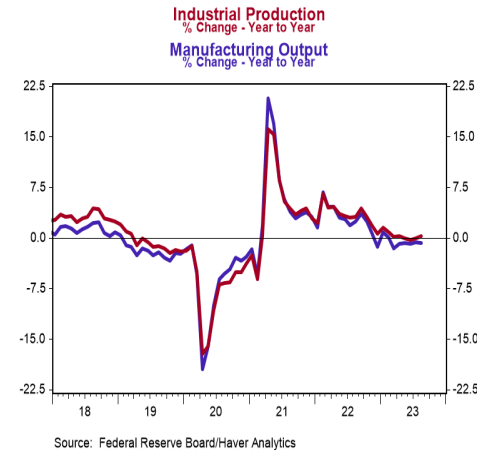


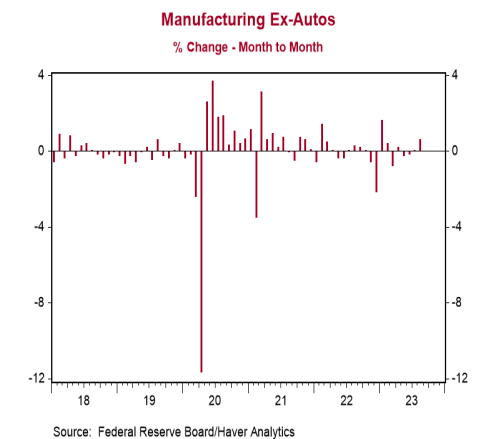
August Industrial Production / Capacity Utilization

Bryce Gill – Economist
 Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist

- Industrial production increased 0.4% in August (+0.6% including revisions to prior months) beating the consensus expected gain of 0.1%. Utilities output rose 0.9% in August, while mining increased 1.4%.
- Manufacturing, which excludes mining/utilities, rose 0.1% in August (+0.2% including revisions to prior months). Auto production fell 5.0%, while non-auto manufacturing increased 0.6%. Auto production is up 5.9% in the past year, while non-auto manufacturing is down 1.1%.
- The production of high-tech equipment rose 0.8% in August and is up 9.8% versus a year ago.
- Overall capacity utilization increased to 79.7% in August from 79.5% in July. Manufacturing capacity utilization remained unchanged at 77.9% in August.



Implications: Industrial production surprised to the upside in August, rising for the second month in a row. Looking at the details, the strength in today’s report was broad-based with nearly every major category posting a gain. The largest sub-component, manufacturing activity, rose a tepid 0.1%. However, that masked some strength beneath the surface. While output in the volatile auto sector fell 5.0% in August, non-auto manufacturing posted the largest monthly gain since January, rising 0.6%. Meanwhile, the utilities sector (which is volatile and largely dependent on weather) also helped drive the headline gain, posting an increase of 0.9%. Finally, output in the mining sector increased 1.4% in August, also the largest gain since January. 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, and the fact that WTI crude prices have recently surged back above \$90 a barrel, we expect mining to be a lifeline for industrial production in the near term. In other factory news this morning, the Empire State Index, a measure of New York factory sentiment, jumped to +1.9 in September from -19.0 in August. Also today, import prices rose 0.5% in August while export prices increased 1.3%. In the past year, import prices are down 3.0% while export prices are down 5.5%.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Aug-23	Jul-23	Jun-23	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.4%	0.7%	-0.4%	2.8%	1.8%	0.3%
Manufacturing	0.1%	0.4%	-0.4%	0.0%	-0.4%	-0.7%
Motor Vehicles and Parts	-5.0%	5.1%	-4.0%	-15.2%	9.2%	5.9%
Ex Motor Vehicles and Parts	0.6%	0.0%	-0.2%	1.6%	-1.0%	-1.1%
Mining	1.4%	-0.2%	0.7%	7.7%	4.8%	3.9%
Utilities	0.9%	4.4%	-1.7%	15.1%	14.0%	1.2%
Business Equipment	0.8%	0.8%	-0.1%	6.4%	2.7%	0.1%
Consumer Goods	-0.2%	1.2%	-1.3%	-1.2%	0.6%	-0.5%
High-Tech Equipment	0.8%	1.6%	1.5%	16.7%	23.0%	9.8%
Total Ex. High-Tech Equipment	0.3%	0.7%	-0.4%	2.4%	1.4%	0.0%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	79.7	79.5	79.0	79.4	79.5	79.7
Manufacturing	77.9	77.9	77.7	77.8	78.0	78.3

Source: Federal Reserve Board