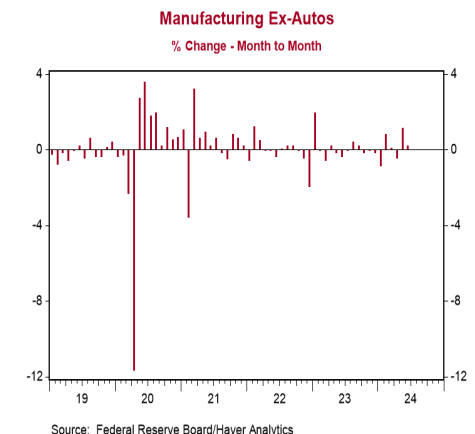
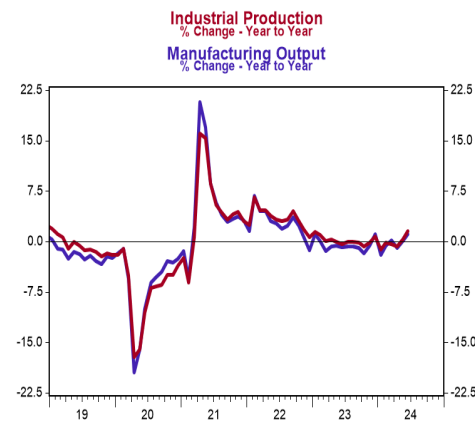


June Industrial Production / Capacity Utilization

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- Industrial production increased 0.6% in June (+0.9% including revisions to prior months), easily beating the consensus expected gain of 0.3%. Utilities output rose 2.8% in June, while mining increased 0.3%.
- Manufacturing, which excludes mining/utilities, increased 0.4% in June (+0.8% including revisions to prior months). Auto production increased 1.6%, while non-auto manufacturing rose 0.2%. Auto production is up 4.2% in the past year, while non-auto manufacturing has increased 0.8%.
- The production of high-tech equipment increased 0.2% in June and is up 7.7% versus a year ago.
- Overall capacity utilization increased to 78.8% in June from 78.3% in May. Manufacturing capacity utilization rose to 77.9% in June from 77.6%.



Implications: Industrial production continued to beat expectations in June, rising for the second month in a row due to broad-based gains in every major category. Manufacturing was the biggest positive contributor, rising 0.4%. Looking at the details, auto production was the biggest contributor to June’s gain, jumping 1.6%. That said, non-auto manufacturing (which we think of as a “core” version of industrial production) also posted a gain of 0.2% in June. What’s interesting about today’s report is that it shows activity in manufacturing has been broadening recently. We have been highlighting the production of high-tech equipment in these reports, which is up at a 13.3% annual rate in the past three months, likely the result of investment in AI as well as the reshoring of semiconductor production. This is consistent with the broader post-COVID trend of consumer preferences shifting away from goods and towards services leaving capital goods as the driver of manufacturing activity. However, the demand for consumer goods seems to be reviving of late, with manufacturing activity in that sector up at a healthy 10.3% annual rate in the past three months. Notably, this is the fastest three-month pace since early 2021 as lockdowns were still in full effect. The mining sector was also a tailwind in June, with activity increasing 0.3%. Gains in the production of oil and gas more than offset a slowdown in the drilling of new wells and the extraction of other minerals. Finally, the utilities sector (which is volatile and largely dependent on weather) was also a source of strength in June, rising 2.8%. Part of the recent strength in industrial production has been a surge in utilities demand, which is up at an unsustainable 39.2% annualized rate in the past three months due to warmer than normal temperatures driving demand for air conditioning which will normalize in the months ahead.

Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Jun-24	May-24	Apr-24	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.6%	0.9%	0.0%	6.4%	2.7%	1.6%
Manufacturing	0.4%	1.0%	-0.5%	3.7%	2.2%	1.1%
Motor Vehicles and Parts	1.6%	0.0%	-0.7%	3.7%	5.4%	4.2%
Ex Motor Vehicles and Parts	0.2%	1.1%	-0.5%	3.3%	1.6%	0.8%
Mining	0.3%	-0.7%	0.2%	-1.0%	-2.0%	-0.7%
Utilities	2.8%	1.9%	3.7%	39.2%	13.2%	7.9%
Business Equipment	-0.4%	0.3%	-0.5%	-2.5%	-0.2%	-1.3%
Consumer Goods	1.1%	0.7%	0.7%	10.3%	3.2%	2.9%
High-Tech Equipment	0.2%	2.0%	0.9%	13.3%	7.6%	7.7%
Total Ex. High-Tech Equipment	0.7%	0.9%	0.0%	6.5%	2.6%	1.5%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	78.8	78.3	77.7	78.3	78.0	78.3
Manufacturing	77.9	77.6	76.9	77.5	77.3	77.6

Source: Federal Reserve Board