July Industrial Production / Capacity Utilization

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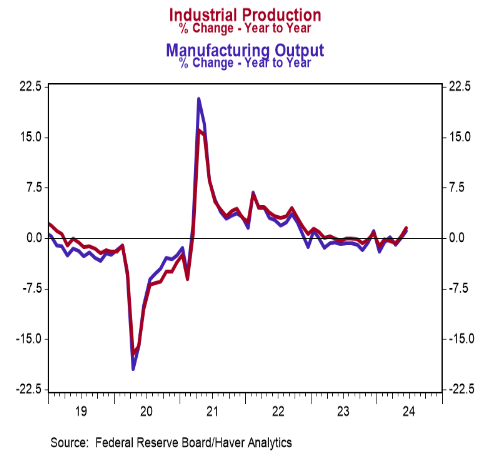
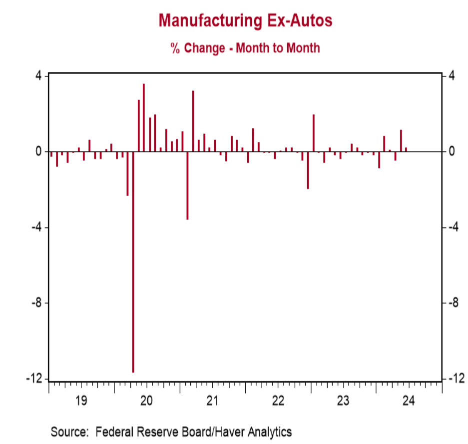
- Industrial production declined 0.6% in July (-1.1% including revisions to prior months), below the consensus expected drop of 0.3%. Utilities output fell 3.6% in July, while mining was unchanged.
- Manufacturing, which excludes mining/utilities, declined 0.3% in July (-0.8% including revisions to prior months). Auto production fell 7.8%, while non-auto manufacturing increased 0.3%. Auto production is down 9.3% in the past year, while non-auto manufacturing has increased 0.9%.
- The production of high-tech equipment increased 1.0% in July and is up 7.3% versus a year ago.
- Overall capacity utilization declined to 77.8% in July from 78.4% in June. Manufacturing capacity utilization fell to 77.2% in July from 77.5%.





Implications: Industrial production gave up ground in July, falling more than expected after back-to-back gains. Moreover, data from previous months were revised down as well, and when included brought July's decline to 1.1%. That said, today's headline looks worse than the details. The Federal Reserve points out that temporary shutdowns due to Hurricane Beryl were responsible for half of July's decline. Manufacturing was the biggest source of weakness, falling 0.3%. However, the volatile auto sector was entirely responsible, dropping 7.8%. Non-auto manufacturing (which we think of as a "core" version of industrial production) posted a gain of 0.3% in July. Part of that gain was the production of high-tech equipment, which rose 1.0% in July, likely the result of investment in AI as well as the reshoring of semiconductor production. However, less advanced manufacturing has been reviving of late as well (think chemicals, petroleum products, and textiles), with nondurable manufacturing activity up at a healthy 7.5% annual rate in the past three months. The utilities sector (which is volatile and largely dependent on weather) was also a drag in July, falling 3.6% as demand for air conditioning normalized following months of warmer than expected temperatures. Finally, the mining sector was unchanged in July. Small gains in the production of oil and gas were offset by a slowdown in the drilling of new wells and the extraction of other minerals. In other manufacturing news this morning, the Philadelphia Fed Index, a measure of factory sentiment in that region, fell to -7.0 in August from +13.9 in July. Meanwhile, the Empire State Index, its counterpart for the New York region, rose slightly to -4.7 in August from -6.6 in July.

Industrial Production **Capacity Utilization** *All Data Seasonally Adjusted*	**Jul-24**	**Jun-24**	**May-24**	**3-mo % Ch** ***annualized***	**6-mo % Ch.** ***annualized***	**Yr to Yr** ***% Change***
Industrial Production	**-0.6%**	0.3%	0.8%	1.6%	2.8%	-0.2%
Manufacturing	**-0.3%**	0.0%	0.8%	2.0%	3.3%	0.1%
Motor Vehicles and Parts	**-7.8%**	0.3%	0.1%	-26.8%	-2.1%	-9.3%
Ex Motor Vehicles and Parts	**0.3%**	0.0%	0.9%	5.0%	3.5%	0.9%
Mining	**0.0%**	-0.1%	-0.7%	-3.3%	5.8%	-1.5%
Utilities	**-3.6%**	2.6%	2.2%	4.3%	-3.1%	-0.1%
Business Equipment	**-0.2%**	-0.4%	0.3%	-1.3%	1.3%	-2.1%
Consumer Goods	**-1.0%**	0.5%	0.4%	-0.4%	1.4%	0.1%
High-Tech Equipment	**1.0%**	-0.9%	1.0%	4.5%	9.5%	7.3%
Total Ex. High-Tech Equipment	**-0.7%**	0.3%	0.7%	1.2%	2.6%	-0.4%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	**77.8**	78.4	78.3	78.2	78.0	78.2
Manufacturing	**77.2**	77.5	77.6	77.4	77.4	77.5

Source: Federal Reserve Board

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