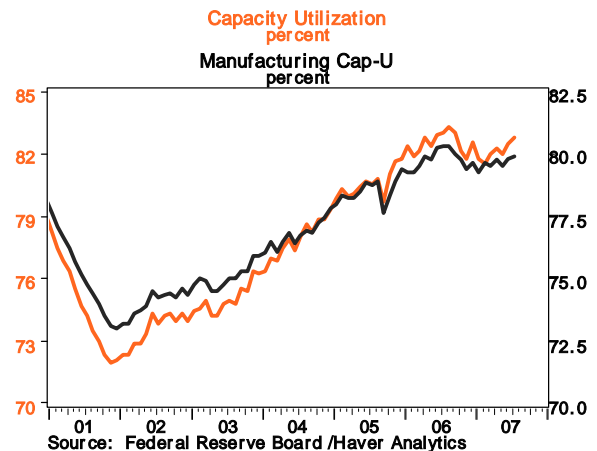
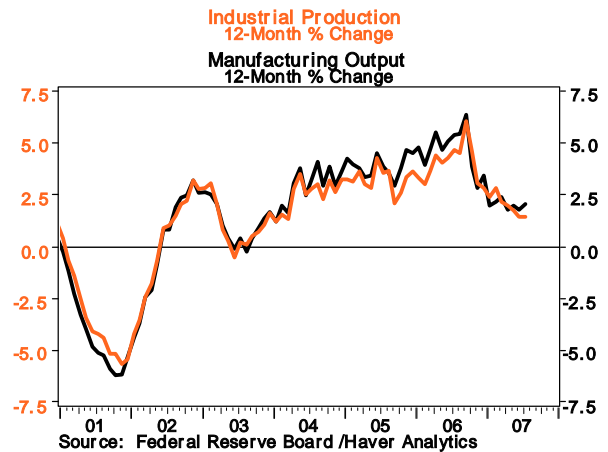


JULY INDUSTRIAL PRODUCTION / CAPACITY UTILIZATION

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- Industrial production was up 0.3% in July, as the consensus expected. In the past three months, industrial production is up at a 2.9% annual rate.
- Manufacturing production increased 0.6% in July and is up at a 5.0% annual rate in the past three months. The production of high-tech equipment grew 1.5% in July and is up 17.5% versus a year ago.
- Capacity utilization increased to 81.9% versus a consensus forecast of 81.7%. In the manufacturing sector, capacity utilization rose to 80.7%.

Implications: Today's industrial production data show the economy is expanding at a robust pace. Capacity utilization reached a ten month high in July, in both the industrial sector as a whole and manufacturing in particular. The manufacturing sector is strong, as productivity gains help lift output even as manufacturing payrolls decline. The relatively weak 1.4% year-to-year comparison for industrial production was due to a temporary inventory-related slowdown late last year and early this year. In other news today, the Empire State Manufacturing Index (calculated by the New York Federal Reserve Bank) declined only slightly to 25.1 in August from 26.5 in July. The consensus had expected a larger drop to 18. This is the third straight month the Empire State index has been above 25, the first such period since 2004, when the economy was growing rapidly.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Jul-07	Jun-07	May-07	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.3%	0.6%	-0.2%	2.9%	4.0%	1.4%
Manufacturing	0.6%	0.6%	0.0%	5.0%	4.4%	2.0%
Motor Vehicles and Parts	2.5%	2.4%	-0.5%	19.1%	19.3%	5.0%
Ex Motor Vehicles and Parts	0.4%	0.5%	0.0%	3.8%	3.5%	1.7%
Mining	0.7%	0.4%	0.1%	4.9%	2.4%	0.4%
Utilities	-2.1%	0.2%	-1.6%	-13.5%	1.3%	-2.7%
Business Equipment	0.9%	0.4%	0.3%	6.6%	6.6%	3.8%
Consumer Goods	0.4%	1.0%	-0.6%	3.0%	4.9%	2.4%
High-Tech Equipment	1.5%	1.2%	0.8%	14.5%	13.4%	17.5%
Total Ex. High-Tech Equipment	0.4%	0.5%	-0.2%	2.6%	3.6%	0.6%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	81.9	81.8	81.4	81.7	81.6	81.7
Manufacturing	80.7	80.4	80.0	80.4	80.2	80.3

Source: Federal Reserve Board