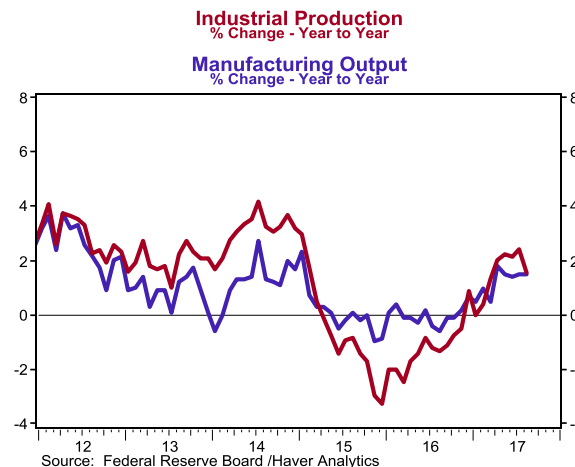


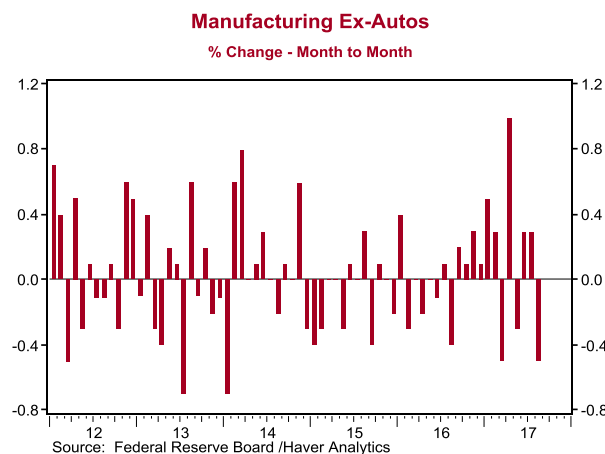
August Industrial Production / Capacity Utilization

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- Industrial production declined 0.9% in August (-0.8% including revisions to prior months). The consensus expected a gain of 0.1%. Utility output fell 5.4%, while mining declined 0.8%.
- Manufacturing, which excludes mining/utilities, declined 0.3% in August (-0.1% including revisions to prior months). Auto production rose 2.2% while non-auto manufacturing dropped 0.5%. Auto production is down 3.5% versus a year ago while non-auto manufacturing is up 1.8%.
- The production of high-tech equipment rose 1.4% in August and is up 3.4% versus a year ago.
- Overall capacity utilization fell to 76.1% in August from 76.9% in July. Manufacturing capacity utilization fell to 75.3% in August from 75.6% in July.



Implications: Following six straight monthly gains, industrial production in August declined the most for any month since 2009. However, the overall 0.9% decline was mostly due to Hurricane Harvey, with the Federal Reserve saying the storm reduced both overall production and manufacturing in particular by roughly 0.75%. The other big negative in today’s report was for utilities, which fell 5.4%, primarily due to mild temperatures reducing demand for air-conditioning on the East Coast. Excluding these effects – Harvey and mild temperatures in the East – industrial production would have been up close to 0.5% in August, which is consistent with the 1.6% gain in the past year. Remarkably, auto production rose 2.2% in August. Look for a bounce in overall production in the months ahead once the effects of Hurricane Irma also filter through the data and weather patterns return to normal. In the meantime, it’ll be a rocky ride. Take mining, which fell 0.8% in August, held back by drilling and well service activity. Harvey knocked oil and gas-well drilling down 4.7% in August, although it’s still up a massive 86% from a year ago. Look for a bounce back in drilling activity in the months ahead once the effects of the storms pass. In other news this morning, the Empire State index, a measure of manufacturing sentiment in New York, fell to a still very high 24.4 in September from 25.2 in August, showing continued strength in the factory sector.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Aug-17	Jul-17	Jun-17	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	-0.9%	0.4%	0.2%	-1.5%	1.9%	1.6%
Manufacturing	-0.3%	0.1%	0.1%	-0.4%	0.0%	1.5%
Motor Vehicles and Parts	2.2%	-4.2%	-0.7%	-10.7%	-9.1%	-3.5%
Ex Motor Vehicles and Parts	-0.5%	0.3%	0.3%	0.4%	0.6%	1.8%
Mining	-0.8%	1.3%	1.2%	6.8%	6.3%	9.6%
Utilities	-5.4%	1.5%	-1.0%	-18.5%	11.8%	-7.8%
Business Equipment	-0.4%	-0.5%	-0.4%	-5.0%	2.4%	1.9%
Consumer Goods	-0.8%	0.4%	-0.4%	-3.0%	2.9%	-0.3%
High-Tech Equipment	1.4%	-1.2%	-0.3%	-0.3%	4.6%	3.4%
Total Ex. High-Tech Equipment	-1.0%	0.4%	0.3%	-1.1%	2.0%	1.5%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	76.1	76.9	76.7	76.6	76.5	76.1
Manufacturing	75.3	75.6	75.6	75.5	75.5	75.4

Source: Federal Reserve Board