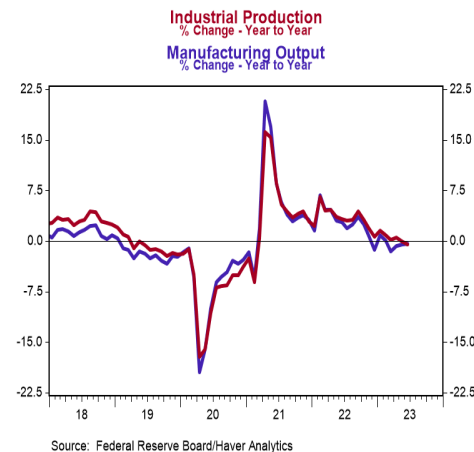


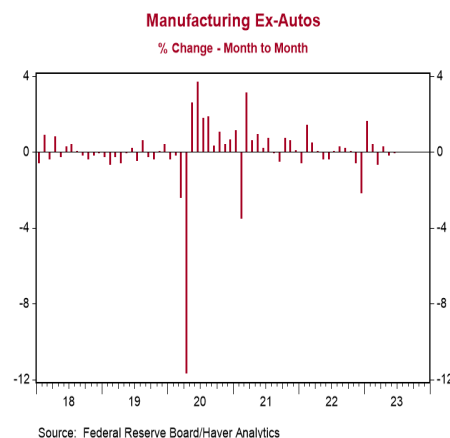
June Industrial Production / Capacity Utilization

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- Industrial production declined 0.5% in June (-0.8% including revisions to prior months) versus a consensus expectation of 0.0%. Utilities output fell 2.5% in June, while mining declined 0.2%.
- Manufacturing, which excludes mining/utilities, declined 0.3% in June. Auto production fell 3.0%, while non-auto manufacturing dropped 0.1%. Auto production is up 9.5% in the past year, while non-auto manufacturing is down 1.0%.
- The production of high-tech equipment rose 1.2% in June and is up 3.4% versus a year ago.
- Overall capacity utilization fell to 78.9% in June from 79.4% in May. Manufacturing capacity utilization declined to 78.0% in June from 78.3%.



Implications: Industrial production declined in June, falling for the second month in a row with every major category contributing to the drop. The biggest source of weakness in June came from the manufacturing sector where activity fell 0.3%. Looking at the details, both auto and non-auto manufacturing posted declines, dropping 3.0% and 0.1%, respectively. Given the trend of consumers shifting their preferences back toward services and away from goods, we expect manufacturing activity to continue to weaken in future months. We are still forecasting a recession ahead with the goods sector leading the way. The utilities sector (which is volatile and largely dependent on weather) was another drag on the headline number in June, posting a decline of 2.5%. Lastly, output in the mining sector declined 0.2%. Less drilling of new oil wells more than offset gains in oil and gas extraction in June. Given that the mining index remains below its pre-pandemic highs, we expect this series to be a lifeline for industrial production in the near term. In other recent factory news, the Empire State Index, a measure of New York factory sentiment, fell to +1.1 in July from +6.6 in June. We also got data on the NAHB Housing Index this morning, a measure of homebuilder sentiment, which rose to 56 in July from 55 in June. This is the seventh consecutive gain and the highest reading in over a year. An index reading above 50 signals that a greater number of builders view conditions as good versus poor and that sentiment is now positive following nearly a year of pessimism due to rapidly rising mortgage rates. Many owners of existing homes are holding their homes dear because of having locked-in long-term fixed mortgages at sub-3% rates before 2022. As a result, prospective homebuyers are turning to the new home market, buoying builder optimism.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Jun-23	May-23	Apr-23	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	-0.5%	-0.5%	0.6%	-1.9%	1.4%	-0.5%
Manufacturing	-0.3%	-0.2%	1.0%	2.0%	3.5%	-0.4%
Motor Vehicles and Parts	-3.0%	0.7%	10.1%	34.1%	14.9%	9.5%
Ex Motor Vehicles and Parts	-0.1%	-0.2%	0.3%	0.0%	2.7%	-1.0%
Mining	-0.2%	-1.4%	0.9%	-2.7%	4.8%	2.7%
Utilities	-2.5%	-1.5%	-2.3%	-22.8%	-16.0%	-6.2%
Business Equipment	0.0%	-0.4%	1.2%	3.0%	0.2%	-0.2%
Consumer Goods	-1.3%	-0.5%	1.5%	-1.2%	-0.6%	-0.7%
High-Tech Equipment	1.2%	0.2%	2.4%	16.5%	8.8%	3.4%
Total Ex. High-Tech Equipment	-0.6%	-0.5%	0.6%	-1.9%	1.4%	-0.5%
Cap Utilization (Total)	78.9	79.4	79.9	3-mo Average	6-mo Average	12-mo Average
				79.4	79.5	79.9
Manufacturing	78.0	78.3	78.5	3-mo Average	6-mo Average	12-mo Average
				78.3	78.2	78.6

Source: Federal Reserve Board