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June Industrial Production / Capacity Utilization

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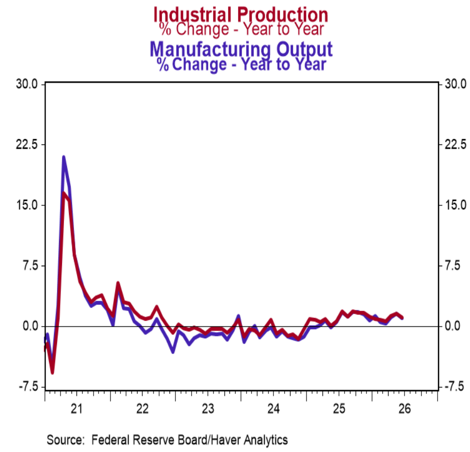
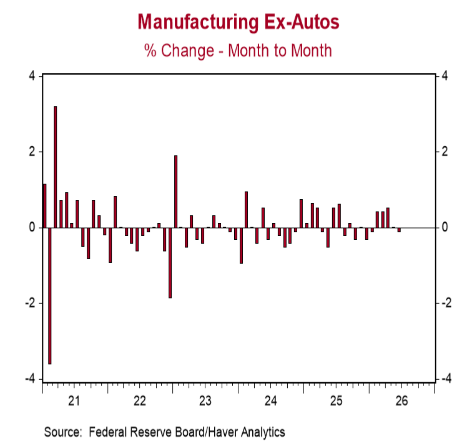
- Industrial production increased 0.1% in June, narrowly lagging the consensus expected gain of 0.2%. Utilities output and mining activity both rose 0.4% in June.
- Manufacturing, which excludes mining/utilities, was unchanged in June. Auto production increased 0.6%, while non-auto manufacturing declined 0.1%. Auto production is up 1.2% in the past year, while non-auto manufacturing is up 1.0%.
- The production of high-tech equipment rose 0.4% in June and is up 11.1% versus a year ago.
- Overall capacity utilization remained unchanged at 76.1% in June. Manufacturing capacity utilization declined to 75.7% in June from 75.8%.





Implications: Industrial production continued to grow at a slower pace in June, posting a modest 0.1% gain. Looking at the details, the largest positive contributions came from mining and utilities, which both rose 0.4%. Gains in mining output were driven by both oil and gas extraction and drilling activity, which more than offset a decline in other mineral extraction. Notably, mining output is up at a rapid 12.1% annualized rate in the last three months, an encouraging sign that US energy companies may finally be ramping up output as supply disruptions continue in the Middle East. Meanwhile, utilities output (which is volatile and largely dependent on weather from month to month) has been on an upward trend since 2023, following nearly twenty years of stagnation, as power hungry data centers have boosted demand for US power generation. Unfortunately, the biggest source of weakness in June came from the manufacturing sector, which stalled for the first time this year despite a 0.6% increase in the volatile auto sector. Manufacturing excluding autos (which we think of as a "core" version of industrial production) declined 0.1% in June, even though the typical bright spots in the "core" measure were present. Production in high-tech equipment, which has been a reliable tailwind recently due to investment in AI as well as the reshoring of semiconductor production, increased 0.4% in June. High-tech manufacturing is up 11.1% in the past year (the fastest annual rate of any series) and up at an even faster 15.5% annualized rate in the past three months. Meanwhile, manufacturing of business equipment was up 5.5% in the past year, outpacing the 1.1% gain in overall industrial production and signaling a broader reindustrialization. In other news this morning, import prices increased 0.3% in June while export prices fell 0.6%. In the past year, import prices are up 7.1%, while export prices have risen 10.2%.

Industrial Production Capacity Utilization *All Data Seasonally Adjusted*	Jun-26	May-26	Apr-26	3-mo % Ch *annualized*	6-mo % Ch. *annualized*	Yr to Yr *% Change*
Industrial Production	**0.1%**	0.1%	0.8%	4.0%	2.2%	1.1%
Manufacturing	**0.0%**	0.1%	0.7%	3.3%	3.6%	1.0%
Motor Vehicles and Parts	**0.6%**	1.9%	2.8%	23.2%	18.6%	1.2%
Ex Motor Vehicles and Parts	**-0.1%**	0.0%	0.5%	1.7%	2.3%	1.0%
Mining	**0.4%**	1.1%	1.3%	12.1%	7.1%	2.3%
Utilities	**0.4%**	-0.7%	0.8%	1.8%	-8.9%	0.3%
Business Equipment	**-0.3%**	0.9%	1.7%	9.5%	7.5%	5.5%
Consumer Goods	**0.3%**	-0.6%	0.6%	1.2%	-1.4%	-1.2%
High-Tech Equipment	**0.4%**	1.8%	1.4%	15.5%	12.9%	11.1%
Total Ex. High-Tech Equipment	**0.1%**	0.1%	0.8%	4.1%	2.0%	1.0%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	**76.1**	76.1	76.1	76.1	75.8	75.8
Manufacturing	**75.7**	75.8	75.7	75.7	75.4	75.4

Source: Federal Reserve Board