July Industrial Production / Capacity Utilization

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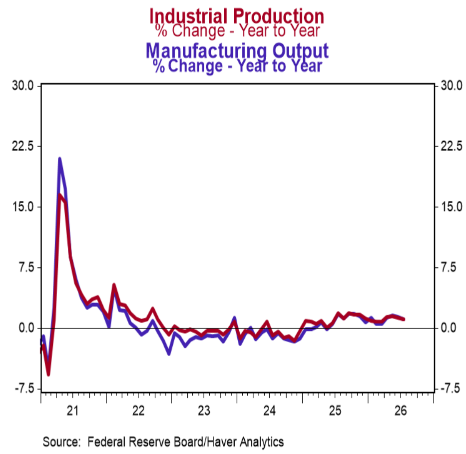
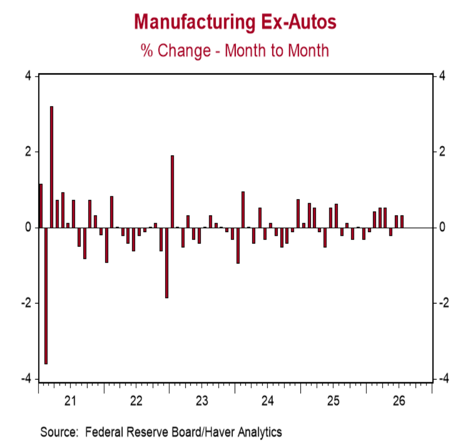
- Industrial production increased 0.2% in July (+0.4% including revisions to prior months), versus a consensus expected gain of 0.3%. Utilities output rose 0.5% and mining activity increased 0.2% in July.

- Manufacturing, which excludes mining/utilities, rose 0.2% in July (+0.6% including revisions to prior months). Auto production declined 2.1%, while non-auto manufacturing rose 0.3%. Auto production is up 2.0% in the past year, while non-auto manufacturing is up 1.0%.

- The production of high-tech equipment rose 1.9% in July and is up 11.8% versus a year ago.

- Overall capacity utilization rose slightly to 76.3% in July. Manufacturing capacity utilization increased to 76.0% in July from 75.9%.





Implications: Industrial production continued to grow in July, posting a modest 0.2% gain, with the underlying details showing broad-based strength. All three major categories contributed to the rise, led by a 0.2% increase in manufacturing despite a 2.1% drop in the volatile auto sector, while activity in previous months was revised higher. Manufacturing excluding autos (which we think of as a "core" version of industrial production) rose 0.3% in July with the typical bright spots present in the core measure. 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, jumped 1.9% in July. High-tech manufacturing is up 11.8% in the past year (the fastest annual rate of any major series) and has risen at a blistering 29.0% annualized rate in the past three months. Meanwhile, manufacturing of business equipment rose 0.8% in July and is up 6.6% in the past year, outpacing the 1.1% gain in overall industrial production and signaling a broader reindustrialization. Gains extended to the other two major categories, with mining and utilities rising 0.2% and 0.5%, respectively. The increase in mining output was driven by a substantial jump in drilling activity as well as more extraction for other minerals, which more than offset a decline in oil and gas extraction. 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. Finally, in other recent news, the Empire State Index – a measure of factory sentiment in the New York region – rose to +20.6 in August from +15.6 in July. On the trade front, import prices declined 0.4% in July and export prices fell 1.3%. In the past year, import prices are up 5.9%, while export prices have risen 8.2%.

Industrial Production Capacity Utilization *All Data Seasonally Adjusted*	**Jul-26**	**Jun-26**	**May-26**	**3-mo % Ch** ***annualized***	**6-mo % Ch.** ***annualized***	**Yr to Yr** ***% Change***
Industrial Production	**0.2%**	0.3%	0.0%	2.0%	4.0%	1.1%
Manufacturing	**0.2%**	0.3%	0.0%	1.6%	4.4%	1.1%
Motor Vehicles and Parts	**-2.1%**	1.2%	2.4%	5.7%	13.0%	2.0%
Ex Motor Vehicles and Parts	**0.3%**	0.3%	-0.2%	1.7%	3.8%	1.0%
Mining	**0.2%**	0.3%	-0.1%	1.3%	4.0%	0.9%
Utilities	**0.5%**	0.1%	0.1%	2.6%	-0.2%	0.7%
Business Equipment	**0.8%**	0.4%	1.0%	9.3%	10.3%	6.6%
Consumer Goods	**-0.4%**	0.3%	-0.3%	-1.6%	2.5%	-1.7%
High-Tech Equipment	**1.9%**	1.6%	2.9%	29.0%	15.2%	11.8%
Total Ex. High-Tech Equipment	**0.1%**	0.3%	-0.1%	1.2%	3.6%	0.8%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	**76.3**	76.2	76.1	76.2	76.0	75.8
Manufacturing	**76.0**	75.9	75.8	75.9	75.7	75.4

Source: Federal Reserve Board