August Industrial Production / Capacity Utilization

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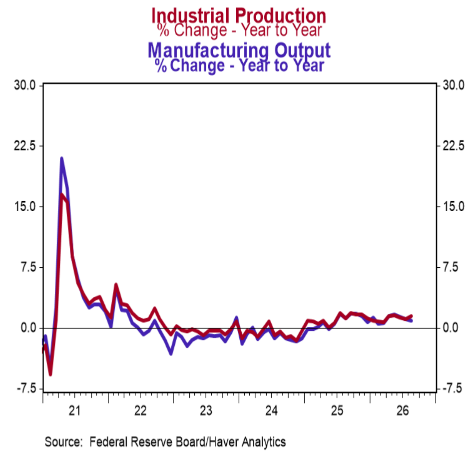
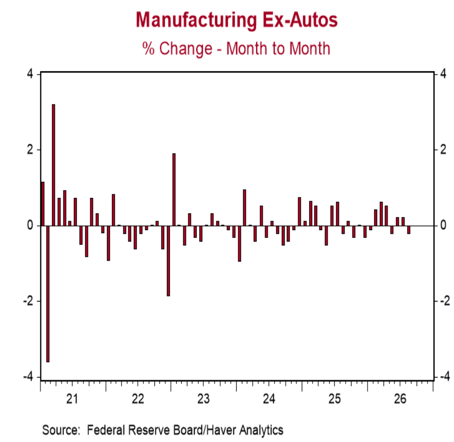
- Industrial production remained unchanged in August (+0.1% including revisions to prior months), below the consensus expected gain of 0.3%. Utilities output rose 1.7% and mining activity increased 0.1% in August.
- Manufacturing, which excludes mining/utilities, declined 0.3% in August (-0.2% including revisions to prior months). Auto production dropped 1.2%, while non-auto manufacturing declined 0.2%. Auto production is down 0.9% in the past year, while non-auto manufacturing is up 0.9%.
- The production of high-tech equipment declined 0.1% in August but is up 12.5% versus a year ago.
- Overall capacity utilization remained unchanged at 76.3% in August. Manufacturing capacity utilization declined to 75.7% in August from 76.0%.





Implications: Industrial production took a breather in August following four consecutive months of growth. The primary driver was weakness in the manufacturing sector, which has been benefitting from AI investment related tailwinds, but posted the first decline of 2026. Looking at the details, the volatile and tariff-exposed auto sector fell 1.2% in August. However, manufacturing excluding autos (which we think of as a "core" version of industrial production) declined 0.2% as well. Surprisingly, production in high-tech equipment, which has been a consistent source of strength recently due to data center construction and the reshoring of semiconductor production, slipped 0.1% in August. While that is the first decline in five months, production in this sector is still up 12.5% in the past year, the fastest of any major category. The manufacturing of business equipment also fell 0.5% in August but is up 7.0% in the past year, continuing to outpace the 1.5% gain in overall industrial production and signaling a broader reindustrialization. Looking outside the manufacturing sector, mining activity eked out a gain of 0.1% in August. The increase was driven by 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) posted a gain of 1.7% in August. Notably, this series 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.

Industrial Production Capacity Utilization *All Data Seasonally Adjusted*	Aug-26	Jul-26	Jun-26	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	**0.0%**	0.2%	0.2%	2.0%	2.4%	1.5%
Manufacturing	**-0.3%**	0.2%	0.1%	0.4%	2.7%	0.9%
Motor Vehicles and Parts	**-1.2%**	-0.9%	0.0%	-8.0%	4.1%	-0.9%
Ex Motor Vehicles and Parts	**-0.2%**	0.2%	0.2%	0.8%	2.3%	0.9%
Mining	**0.1%**	0.1%	0.4%	2.7%	-0.5%	0.2%
Utilities	**1.7%**	0.5%	0.4%	11.0%	3.1%	6.2%
Business Equipment	**-0.5%**	1.0%	0.3%	3.2%	8.9%	7.0%
Consumer Goods	**0.2%**	-0.4%	0.1%	-0.4%	-1.0%	-1.0%
High-Tech Equipment	**-0.1%**	1.2%	1.5%	11.2%	13.4%	12.5%
Total Ex. High-Tech Equipment	**0.0%**	0.2%	0.1%	1.2%	2.0%	1.2%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	**76.3**	76.3	76.2	76.3	76.1	75.9
Manufacturing	**75.7**	76.0	76.0	75.9	75.8	75.4

Source: Federal Reserve Board