

Industrial Production: Significant Sector Differences

Industrial production rebounded in June by 0.5 percent due to gains in utility output and a post-strike boost in auto parts production. However, other consumer durable and non-energy nondurable production fell. Business equipment production is weak. Capacity utilization rose in June but the overall trend still signals weaker profits ahead.

Manufacturing Production: Key Differences

- Manufacturing is still slowing. Auto production gained but other consumer durables were weak. Business equipment production has slowed recently as industrial equipment production has dropped off. Energy production remains strong. Utility production reflects the impact of higher air conditioning demand. Mining output also picked up in June.

Capacity Utilization: Trend Signals Lower Profits

- Manufacturing capacity utilization continues its downtrend. Such a pattern has been historically associated with weaker profits.
- By stage of processing, crude capacity utilization is rising and near all-time highs. However, further up the line utilization has trended lower and that suggests weaker profit growth.

