

# ECONOMIC DATA ANALYSIS

## Industrial production (June)

- Industrial production was above expectations in June, rising 0.5%, on gains in manufacturing, energy production, and mining. Nonetheless, over the last three months, total output has fallen 1.7% at an annual rate and for the quarter as a whole fell 3.1%.
- Manufactured output rose 0.2% in June but the gain was entirely accounted for by a 5.4% increase in the production of motor vehicles and parts (contrast this to the recent bleak picture on auto sales). Excluding autos, manufactured output contracted 0.1% in the month and fell 3.7% at an annual rate for the quarter as a whole.
- Capacity utilization rose to 79.9% in June from 79.6% in May, but remains well below year-ago levels of 81.0%.

	<u>Jun</u>	<u>May</u>	<u>Apr</u>	<u>3-Month Change</u>	<u>12-Month Change</u>
IP-Total	0.5%	-0.2%	-0.7%	-1.7%	0.3%
Manufacturing	0.2%	-0.1%	-0.9%	-3.0%	-0.6%
Durables	0.7%	-0.1%	-1.5%	-3.8%	-0.2%
Motor vehicles & pts.	5.4%	0.6%	-6.7%	-3.9%	-11.9%
Ex. motor vehicles & pts.	-0.1%	-0.1%	-0.5%	-3.0%	0.2%
Computer & office eqpt.	0.8%	0.3%	-0.2%	3.7%	14.6%
High-tech**	1.8%	0.1%	1.3%	14.0%	23.6%
Manufact. ex- high-tech	0.4%	-0.2%	-0.8%	-2.5%	-0.7%
Nondurables	-0.3%	0.1%	-0.3%	-1.9%	-0.7%
Mining	1.1%	0.3%	-0.4%	3.9%	3.8%
Utilities	2.1%	-2.1%	0.4%	1.5%	4.0%
Consumer goods	0.7%	-0.2%	-1.0%	-1.8%	-0.8%
Business equipment	0.2%	0.2%	-1.7%	-5.2%	1.6%
Construction supply	-0.9%	0.5%	-1.1%	-6.0%	-6.3%
Capacity utilization	79.9%	79.6%	79.9%	80.5%*	81.0%*
Manufacturing	77.6%	77.6%	77.7%	78.5%*	79.6%*
Manufacturing Capacity	0.1%	0.1%	0.1%	1.7%	2.0%

\* 3- and 12-months ago

\*\* high-tech: computers, communications equipment and semiconductors

**BOTTOM LINE:** Both the industrial production report and the ISM manufacturing survey show a small gain in factory activity in June. However, June's gain was more than accounted for by higher motor vehicle production, which runs counter to recent demand trends in this sector, and for the quarter as a whole, manufactured output posted a sizeable decline. Inventory signals in the ISM survey and the strength of motor vehicle production in this report suggest that manufactured output could fall again in the third quarter and we do not view June's industrial data as a recovery sign.

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