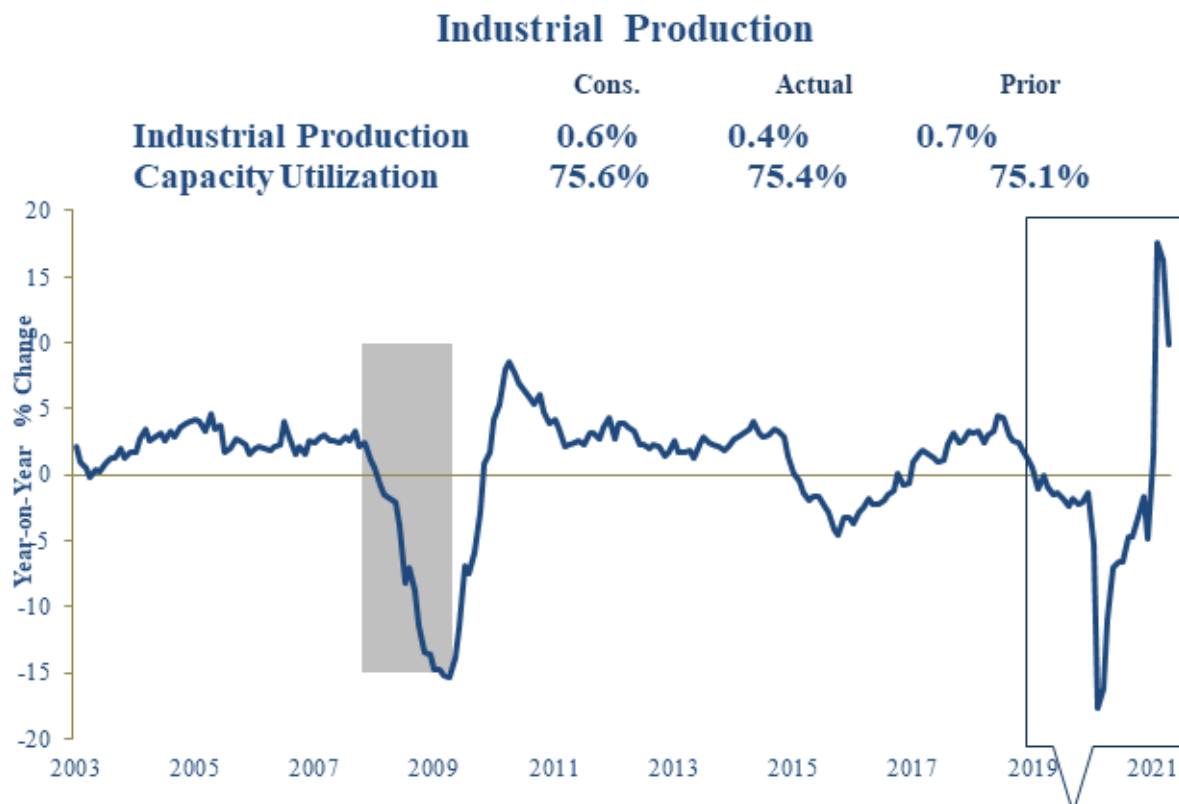


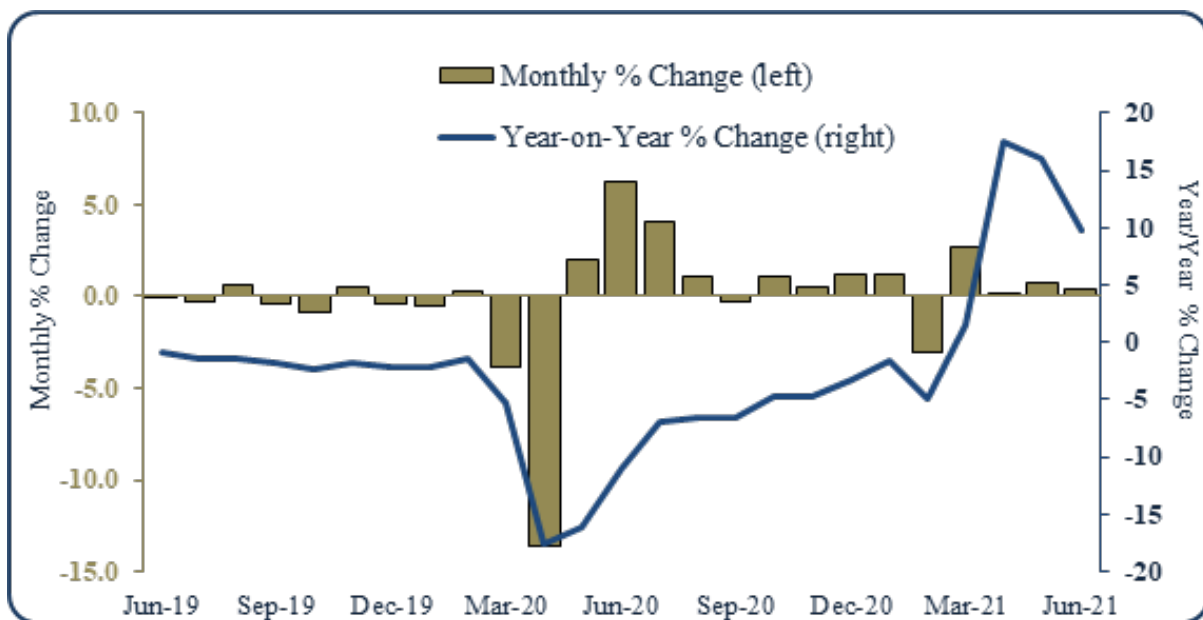
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15.Jul.2021

Industrial Production: Gains Moderate Into Quarter-End

Bottom Line: Industrial production rose less than expected in June and was revised modestly lower for May. There was a growing divergence in the 2nd Quarter between actual industrial production readings like this one and surveys of manufacturing activity. Amid substantial shortages and supply-chain disruptions, it appears production was not running as hot as the surveys suggested. This is not surprising but bears watching going forward. The auto and aerospace segments remained the most volatile, swinging sharply as production facilities dealt with a shortage of semiconductors. Overall, industrial output remained an important driver of growth -- industrial production in Q2 increased at an annual rate of 5.5%, still a robust pace, even if moderately slower than in Q1. Most surveys suggest growth can continue, and we'd expect the disconnect between surveys and actual output data to close over time as supply-chain pressures ease.





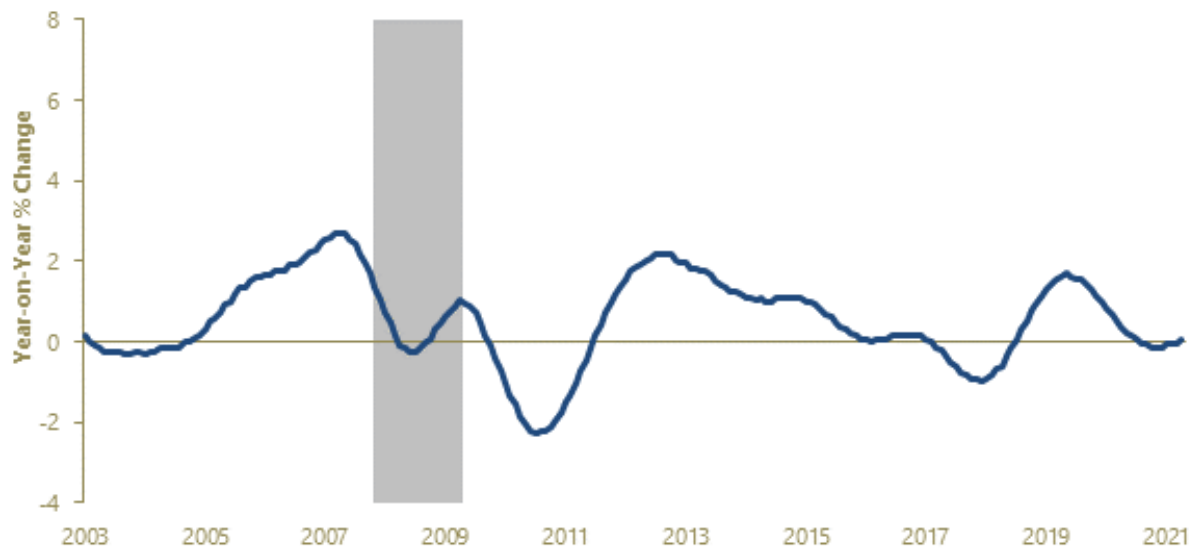
Industrial Production ROSE by 0.44% in June, compared with market expectations for an increase of 0.6%. Moreover, the prior month was revised from 0.8% down to 0.7%. Output is now 9.8% ABOVE its year-ago level.

In June, **Mining Output** ROSE by 1.4%, and was 17.7% ABOVE its year-ago level. **Utility Generation** ROSE by 2.7% and is now 2.1% ABOVE its year-ago level.

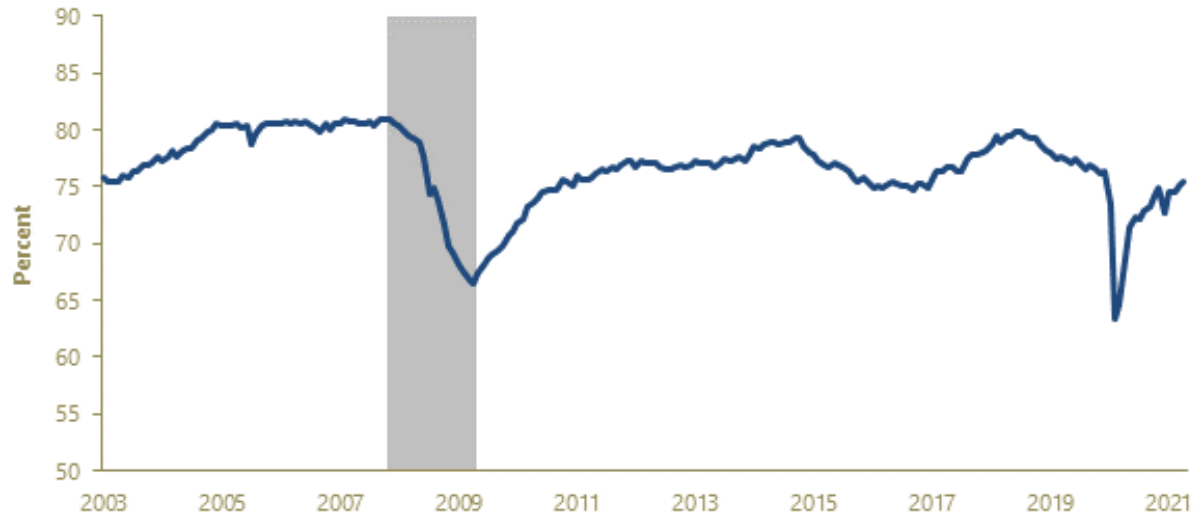
Manufacturing Output was UNCHANGED and was 9.9% ABOVE its year-ago level. Output in high-tech industries rose by 0.6%. Meanwhile, output in the motor vehicle industry fell by 6.6%. Excluding both the high-tech and motor vehicles industries, industrial output climbed by 0.4%.

Capacity Utilization ROSE by 0.3 points to 75.4%, compared with market expectations for a higher increase to 75.6%. Moreover, the prior month was revised from 75.2% to 75.1%. The capacity utilization rate is now 6.7 percentage points above its year-ago level and 4.6 percentage points below its long-run (1972–2015) average.

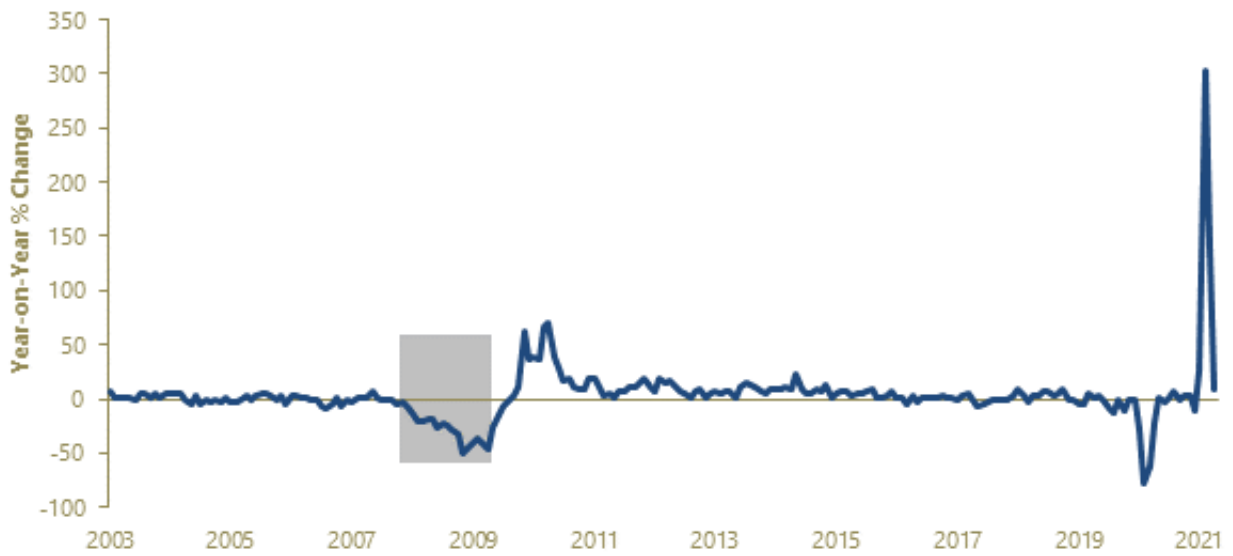
Industrial Capacity



Capacity Utilization



Motor Vehicles & Parts



Excluding High-Tech & Motor Vehicles



High-Technology Industries



	Percent Change										
	Monthly % Changes				Annual Rates of % Change						
	Jun-21	May-21	Apr-21	Mar-21	Three Month	Six Month	Twelve Month	2019	2018	Five Year	Ten Year
Industrial Production	0.44	0.7	0.0	2.7	4.8	3.7	9.8	2.8	3.5	1.2	1.6
previous estimate		0.8	0.1	2.6							
Mining	1.4	0.8	0.4	12.0	10.6	16.1	17.7	15.6	12.7	4.2	4.4
Utilities	2.7	-0.8	2.7	-8.6	19.9	0.2	2.1	-3.2	2.1	-0.6	0.2
Manufacturing	0.0	0.8	-0.4	3.2	1.7	2.3	9.9	1.3	2.3	0.7	1.2
High-Tech Industries	0.6	1.3	1.0	1.8	12.2	15.4	15.9	13.0	3.1	6.8	9.5
Ex-high tech	-0.2	0.8	-0.7	3.1	-0.4	1.0	9.5	1.1	2.3	0.6	0.8
Motor Vehicles & Parts	-6.6	7.3	-7.2	4.0	-25.2	-24.5	8.0	-1.0	-0.2	2.0	6.1
Ex-motor vehicles	0.4	0.4	0.1	3.1	3.7	4.6	9.9	1.4	2.5	0.6	0.8
Ex-high tech & motor vehic	0.4	0.4	0.0	3.2	3.4	4.2	9.8	1.1	2.4	0.4	0.4
Aerospace & misc	3.8	-1.8	-3.2	0.6	-5.0	10.2	24.0	4.7	-1.5	0.1	1.1
Addendum:											
Business Equipment	-0.6	1.6	-1.8	2.7	-3.4	3.3	15.1	2.6	3.8	0.5	1.4
Construction Supplies	-0.4	-0.7	-1.6	4.7	-10.2	-2.0	7.9	2.8	4.5	2.5	1.6
Capacity Utilization Rate	75.4	75.1	74.6	74.6	75.0	74.5	73.6	77.1	77.9	77.1	76.2
		75.2	74.6	74.6							

Source: Federal Reserve Board via Bloomberg. Our calculations.

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T.J. Connelly, Head of Research

July 15, 2021

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