



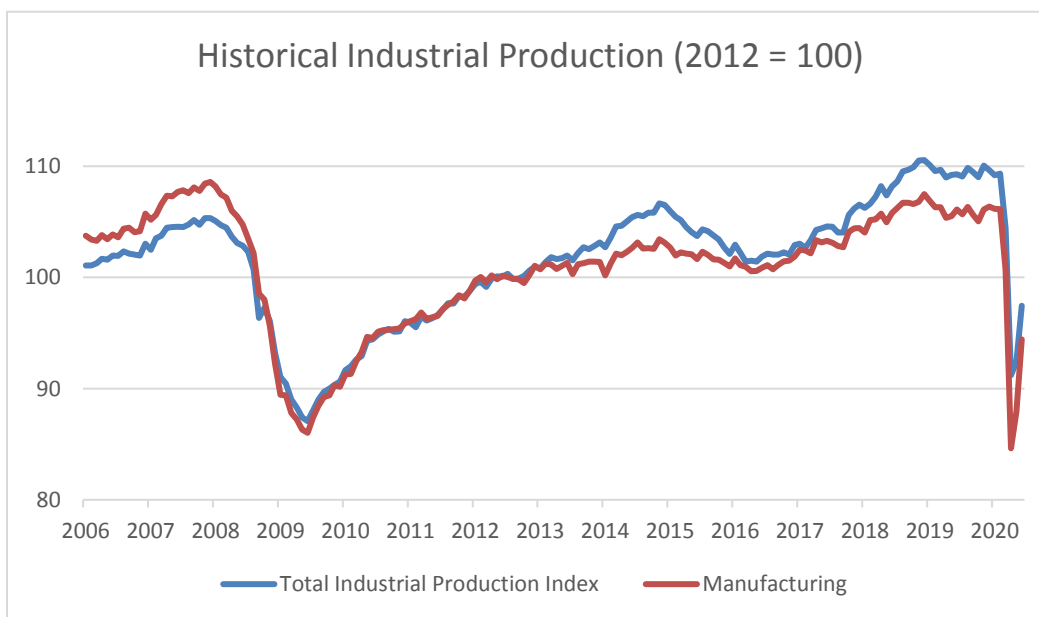
June Industrial Production: Growth for Second Straight Month

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Industrial Production continued to recover in June, with a 5.4% MoM gain (DE 3.9%; Consensus 4.4%). It marks the second consecutive increase, following the 1.4% MoM rise in May. However, the indicator was still down 10.82% YoY in June, compared with a 15.36% YoY fall for May, due to significant contractions in March and April.

Details

- **Capacity Utilization increased to 68.6% in June** (DE 67%; Consensus 67.8%) from 65.1% in May. For the Manufacturing sector, Capacity Utilization rose from 62.3% to 66.9%.
- **Manufacturing Production rose 7.2% MoM for June**, after a 3.8% rise in May, but was still down 11.2% YoY. A **105% MoM increase in production for Motor Vehicles and Parts** led the monthly Manufacturing gains. Production for Motor Vehicles and Parts rallied 120% MoM in May as well, but despite the continued gains the June reading was still 24.6% below levels from a year ago.
- Durable Manufacturing improved 11.6% MoM, while Nondurable rose 3.4%. Production of Machinery rose for the second straight month in June, with a 6.4% MoM gain, yet was still down 15.8% YoY.
- **Mining Production continued to fall in June but less severely**, with a 2.9% MoM reduction following the 6.1% fall in May. **Production for Utilities rose 4.2% MoM** after falling 3.5% in May.



Sources: Federal Reserve, Decision Economics, Inc. (DE)

Perspective

The rebound in Industrial Production for June is a positive sign, yet **the indicator still fell at an annual rate of 42.6% for the second quarter**. Capacity Utilization is improving but remains substantially below its long-term average. **Production is trending in the right direction but will require consistent gains to fully recover**. While the indicator should continue to increase moving forward, looming Pandemic risks and potential business restrictions could curtail the recovery. For GDP, this release implies a stark contraction for the second quarter despite upward forces for June, followed by a rebound in third quarter.