



# TD Economics

## Commentary

June 15, 2007

### U.S. INDUSTRIAL PRODUCTION IS UNDERWHELMING IN MAY

- **Industrial production was flat in May, and there were downward revisions to April's number**
- **Capacity utilization edged lower to 81.3%**

U.S. industrial production came in lower than expected this morning with a flat reading for May, and a fall in capacity utilization from 81.5% to 81.3%. The April data, which were looking suspiciously strong, were revised downward, with the original 0.7% monthly gain chopped down to a 0.4% gain. The motor vehicle sector, which had looked particularly suspect, was where the bulk of the downward revisions occurred, as the April tally was revised down from +3.3% to +1.4%.

The details of the data were a little bit stronger, since most of the weakness in the report occurred in the volatile utilities sector, which declined 1.2%. The manufacturing sector, although nothing to write home about, managed to eke out a 0.1% gain, which is the third monthly gain in a row.

While this morning's report was not great, it did confirm that the manufacturing sector isn't falling apart either. But we do believe that growth in this sector is likely to be sub-par for the remainder of the year. With no real reason to cut rates, and no real reason to raise rates, we believe that the Fed will remain on hold for the remainder of the year.

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