Consumers’ Pivot to Goods Driving Rebound in Production

Industrial production rose 3.0% in July. The manufacturing sector has seen a relatively strong recovery this cycle, underpinned by consumers shifting spending toward goods. Business goods have been slower to recover.

**Consumer Goods Recovery Well Underway**
- The manufacturing sector’s recovery continued in July, but at a slower place. Output at factories rose 3.4% after June’s 7.4% gain. Once again, autos led the charge as the sector has seen a relatively quick recovery as consumers shun mass transit.
- The need to social distance has shifted household spending away from services to goods. Production of consumer products rose 4.6% in July, and is only 2.4% below February levels.

**Business Investment Has Further to Go**
- Production for business equipment increased 5.0% in July. Gains broadened beyond information processing. Yet, output for business goods has proved slower to recover with uncertainty about the pandemic and election likely holding back outlays.
- Mining output rose for the first time in five months (+0.8%) as extraction increased. New drilling, however, remains depressed as crude oil prices have hovered around $40/barrel.

**Total Industrial Production Growth**

**Consumer Goods vs. Business Equipment**

**Manufacturing & Motor Vehicle Production**

**Industrial Production - Mining**