

FEDERAL RESERVE statistical release



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INDUSTRIAL PRODUCTION AND CAPACITY UTILIZATION

Industrial production, which had edged down in September when Hurricane Floyd slowed activity along the eastern seaboard, increased 0.7 percent in October. In the recovery after the storm, output rebounded at electric utilities and in a number of manufacturing industries. At 136.1 percent of its 1992 average, industrial production in October was 2.8 percent higher than in October 1998. The rate of capacity utilization for total industry rose 0.3 percentage point, to 80.7 percent, a level 1.4 percentage points below its 1967–98 average.

Market Groups

The output of consumer goods rose 1.4 percent in October after having dropped 0.8 percent in September. The output of durable consumer goods increased 2.1 percent as the production of both automotive products and other durable goods, particularly goods for the home such as appliances, increased sharply. After having declined 0.3 percent in September, the production of nondurable consumer goods advanced 1.1 percent. The output of energy products

(over)

INDUSTRIAL PRODUCTION AND CAPACITY UTILIZATION: SUMMARY

Seasonally adjusted

	Index, 1992=100				Percent change				Oct. 98 to Oct. 99
	1999 July ^r	Aug. ^r	Sept. ^r	Oct. ^p	1999 July ^r	Aug. ^r	Sept. ^r	Oct. ^p	
Industrial Production									
Total index	135.0	135.3	135.2	136.1	.6	.3	-.1	.7	2.8
Previous estimates	135.0	135.5	135.0		.6	.4	-.3		
Major market groups:									
Products, total	125.7	126.4	126.0	127.0	.0	.6	-.4	.8	1.7
Consumer goods	115.8	116.7	115.8	117.4	-.3	.7	-.8	1.4	1.9
Business equipment	172.2	172.8	172.4	172.4	.7	.4	-.2	.0	2.0
Construction supplies	132.8	132.6	133.0	134.0	1.1	-.2	.3	.7	4.3
Materials	150.3	150.0	150.5	151.3	1.4	-.2	.4	.5	4.7
Major industry groups:									
Manufacturing	139.0	139.4	139.6	140.4	.4	.3	.1	.6	3.2
Durable	167.5	167.9	167.9	168.9	1.2	.3	.0	.6	4.8
Nondurable	110.7	111.1	111.4	112.1	-.5	.4	.3	.6	1.1
Mining	98.4	99.5	99.2	99.4	.7	1.1	-.2	.1	-2.6
Utilities	121.5	120.2	117.2	119.5	2.8	-1.1	-2.5	2.0	2.5
	Percent of capacity								Capacity growth
Capacity Utilization	Average 1967–98	1982 Low	1988–89 High	1998 Oct.	1999 July ^r	Aug. ^r	Sept. ^r	Oct. ^p	Oct. 98 to Oct. 99
Total industry	82.1	71.1	85.4	81.3	80.6	80.6	80.4	80.7	3.6
Previous estimates					80.6	80.7	80.3		
Manufacturing	81.1	69.0	85.7	80.3	79.5	79.5	79.4	79.7	3.9
Advanced processing	80.5	70.4	84.2	79.6	78.4	78.4	78.3	78.5	4.7
Primary processing	82.4	66.2	88.9	82.4	82.7	82.9	82.8	83.1	2.1
Mining	87.5	80.3	88.0	84.7	81.1	81.9	81.7	81.7	1.0
Utilities	87.4	75.9	92.6	92.0	95.5	94.5	92.1	93.9	.5

rebounded 2.1 percent from declines that totaled 3 percent over August and September, and the output of nonenergy consumer nondurables rose 1.0 percent, led by gains in foods and consumer chemicals.

The production of business equipment, which had eased 0.2 percent in September, was flat in October. Sharp declines in the output of transit equipment, particularly commercial aircraft, and other equipment offset gains in the production of information processing equipment and industrial equipment. Within the information processing group, the output of computers has risen more slowly in recent months than earlier in the year. The output of defense equipment in October recouped about half of its 1.6 percent decline in September .

The production of construction supplies rose 0.7 percent in October, after a smaller increase in the previous month, to a level 4.3 percent higher than in October 1998. The output of materials increased 0.5 percent, a bit more than in September. The increases in the output of durable goods materials, which were strong over the past year, slowed to 0.3 percent in October, while growth in the output of nondurable goods materials accelerated to 0.7 percent. The production of energy materials reversed most of the 1 percent drop in September.

Industry Groups

Manufacturing output advanced 0.6 percent in October after a gain of only 0.1 percent in September. The increase in the output of durables was led by gains at makers of iron and steel, light trucks, computers, semiconductors, and miscellaneous manufactures; however, the gains in hi-tech industries, such as computers and related parts, while still rapid, have on balance been smaller in recent months. While most other durable industries recorded fractional increases, the output indexes for commercial aircraft and parts and for farm machinery declined noticeably. The ongoing contraction in the output of commercial aircraft and parts brought its index in October to a level about 20 percent below the level of October 1998. The output of farm machinery, which had dropped sharply to a low in August, remained more than 40 percent below its high in the summer 1998. Production in nondurable manufacturing increased for a third month after earlier weakness. Among nondurables, gains in October were widespread, except for rubber and plastics products and leather and products. The tobacco, textile, and apparel products industries, which had suffered setbacks in the preceding two or three months, reversed a portion of those losses in October. The output of printing and publishing, chemicals and products, petroleum products, and foods advanced again.

The factory operating rate rose 0.3 percentage point, to 79.7 percent, with increases in both durable and nondurable industries. While the utilization rate for durable manufacturing was a bit above its 1967–98 average, the rates for nondurable manufacturing industries other than petroleum products were below their averages.

The output at utilities, which had fallen back more than 3-1/2 percent in August and September, increased 2.0 percent; utilization at utilities recovered and moved up, to 93.9 percent. Mine production edged up after having eased a bit in September; utilization at mines remained at 81.7 percent.

Revision of Industrial Production and Capacity Utilization

On November 30, 1999, the Federal Reserve Board will publish a revision to the index of industrial production (IP) and the related measures of capacity and capacity utilization for the period January 1992 to October 1999. The updated measures will reflect both the incorporation of newly available, more comprehensive source data typical of annual revisions and, for some series, the introduction of improved methods for compiling the series. The new source data are for recent years, primarily 1997 and 1998, and the modified methods affect data from 1992 onward. In addition, the supplementary series on the gross value of products leaving the industrial sector will be expressed in 1996 dollars; these series begin in 1977.

The updated IP measures will include some annual data from the Bureau of the Census's 1997 Census of Manufactures and from selected editions of its 1998 Current Industrial Reports. Annual data from the U.S. Geological Survey on metallic and nonmetallic minerals (except fuels) for 1997 and 1998 will also be introduced. The updating will also include revisions to the monthly indicator for each industry (either physical product data, production worker hours, or electric power usage) and revised seasonal factors.

The revision will introduce improved measures of production for computers and office equipment (SIC 357) and for motor vehicles (SIC 3711, 3). The new monthly production measure for computers is derived from detailed information on the major products produced by the industry. For example, from 1994 to 1998, quarterly data on the physical quantity and average unit value of about 1,100 distinct models of personal computers, notebooks, servers, and workstations are used to construct the new IP index for computers; previously, monthly electric power use by the industry was used as the within-year indicator of production. The new measures of motor vehicle production incorporate price weights for the different models of light vehicles; previously, all autos and light trucks were weighted equally in compiling an aggregate figure. In addition, the monthly production indicators for bolts and fasteners (SIC 345) and for metalworking machinery (SIC 354) will be changed from electric power use to production worker hours.

Capacity and capacity utilization rates will be revised to incorporate preliminary data from the 1998 Survey of Plant Capacity of the Bureau of the Census, which covers manufacturing, along with other new data on capacity from the U.S. Geological Survey, the Department of Energy, and other organizations.

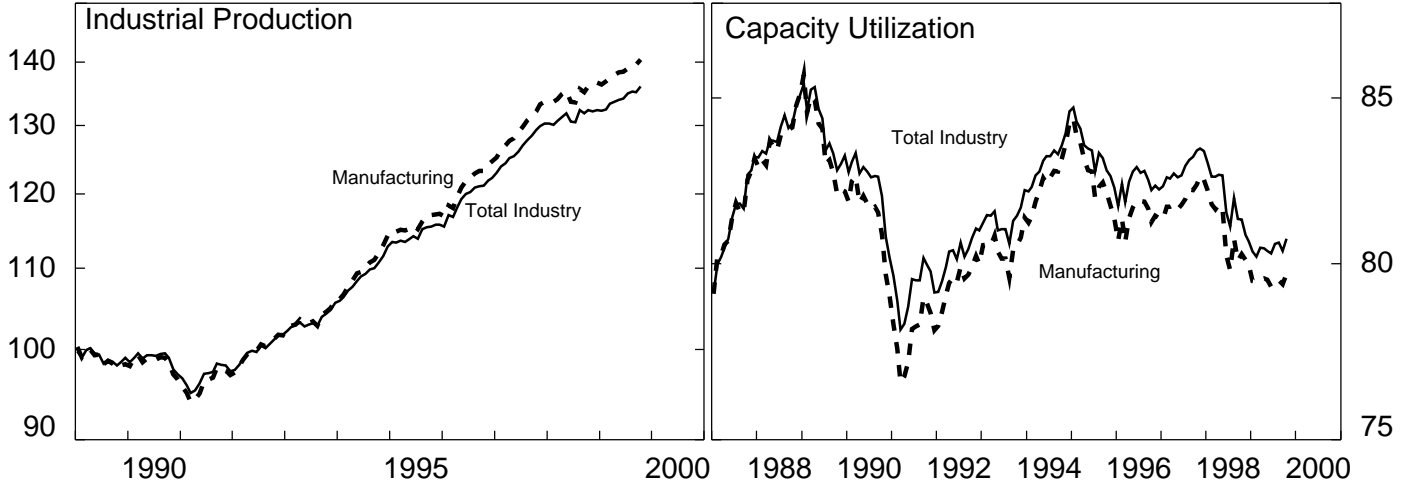
Once the revision is published, it will also be made available on the Board's web site, at www.federalreserve.gov/releases/g17, and on diskettes from Publications Services (telephone 202-452-3245). The revised data will also be available through the STAT-USA web site of the Department of Commerce (www.stat-usa.gov). Further information on these revisions is available from the Board's Industrial Output Section (telephone 202-452-3197).

Industrial Production and Capacity Utilization

(October data, seasonally adjusted)

Ratio scale, 1992=100

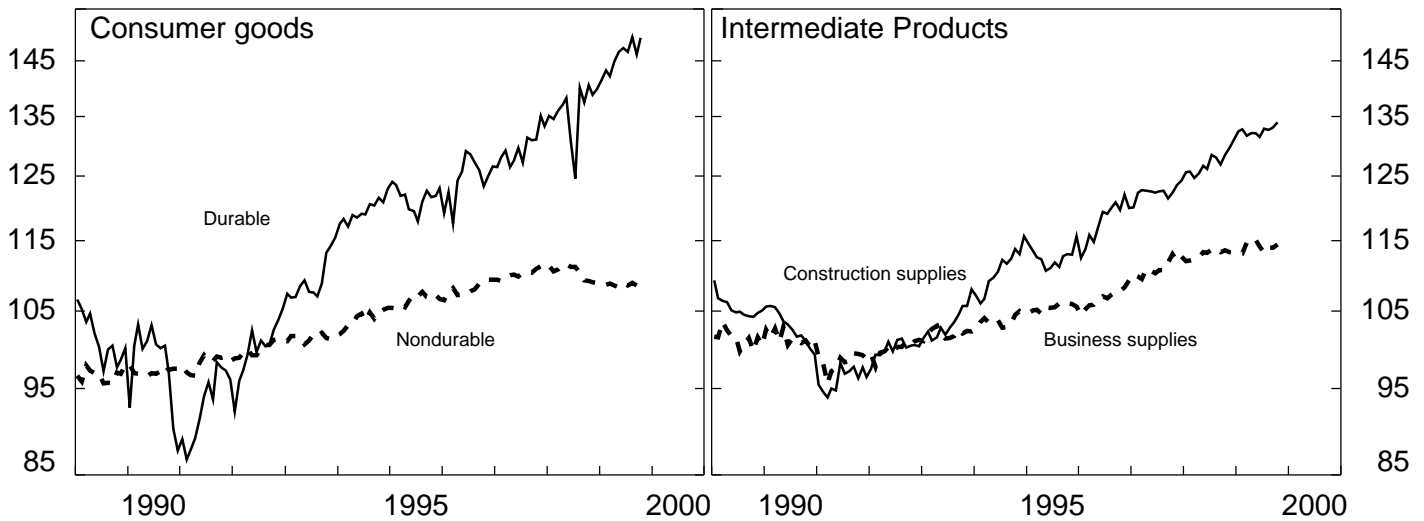
Percent of capacity



Ratio scale, 1992=100

Industrial Production, Market Groups

Ratio scale, 1992=100



Ratio scale, 1992=100

Ratio scale, 1992=100

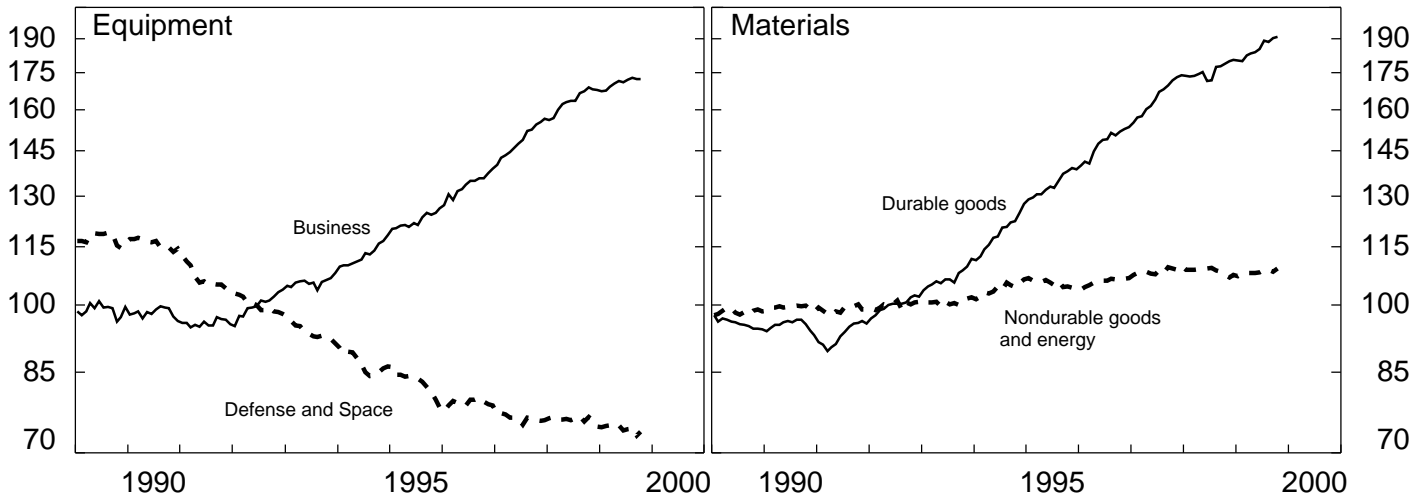


Table 2B
INDUSTRIAL PRODUCTION: INDUSTRY GROUPS

Percent change

Item	SIC	1997 Q4 to 1998 Q4	Seasonally adjusted annual rate				Seasonally adjusted				Not seasonally adjusted				Oct. 98 to Oct. 99
			1998 Q4	1999 Q1	Q2	Q3 ^r	1999 July ^r	Aug. ^f	Sept. ^f	Oct. ^p	1999 July ^r	Aug. ^f	Sept. ^f	Oct. ^p	
Total index		1.9	2.2	1.3	3.8	3.7	.6	.3	-.1	.7	-3.0	4.7	.3	-1.0	2.8
Manufacturing		2.5	4.9	1.5	3.9	3.1	.4	.3	.1	.6	-4.1	5.4	1.1	-.8	3.2
Primary processing		-.3	1.2	3.8	.3	3.4	.6	.3	.1	.6	-2.3	2.7	.4	.8	3.0
Advanced processing		3.9	6.6	.5	5.6	3.0	.3	.3	.1	.6	-4.9	6.6	1.4	-1.5	3.2
Durable		5.3	8.6	2.1	7.2	7.2	1.2	.3	.0	.6	-6.2	7.2	1.7	-1.0	4.8
Lumber and products	24	4.2	5.4	8.2	-.2	-7.5	-1.1	-.8	-.6	.1	-5.8	3.8	-.3	1.0	.5
Furniture and fixtures	25	3.4	9.6	2.4	-2.8	7.3	.9	.9	.9	-.5	-1.1	8.5	-1.1	-4.2	1.3
Stone, clay, and glass products	32	5.0	12.7	6.7	-11.8	3.6	1.0	.5	.3	.2	-1.1	3.3	.1	-2	1.3
Non-durable		-7.1	-9.7	3.8	10.7	14.3	1.5	1.7	-2.4	2.4	-3.4	3.8	.8	1.9	7.2
Iron and steel	331,2	-11.7	-18.2	9.5	18.0	20.7	2.6	2.3	-3.6	4.1	-1.8	2.6	.9	3.7	12.9
Raw steel		-12.9	-37.7	14.0	16.5	9.3	1.5	3.8	-3.4	5.8	-3.8	5.8	-.6	5.1	8.8
Nonferrous	333-6,9	-1.7	.5	-2.0	3.2	7.5	.4	1.0	-1.0	.4	-5.1	5.1	.6	-.2	1.3
Fabricated metal products	34	.6	3.2	-1.5	.5	3.9	.6	.0	.1	.6	-1.2	2.7	.6	-.1	2.1
Industrial machinery and equipment	35	12.9	7.4	5.6	8.7	6.7	1.3	.5	.8	.4	-1.4	3.0	1.9	-2.8	6.6
Computer and office equip.	357	53.0	45.9	34.1	44.6	39.1	4.5	2.4	2.1	1.8	8.6	1.5	1.9	-4.5	37.7
Electrical machinery	36	11.4	17.7	7.4	23.4	27.7	4.2	.8	-.2	1.7	-4.7	6.5	7.2	-4.9	17.1
Semiconductors and related electronic components	3672-9	25.7	51.7	16.4	38.3	41.0	4.7	1.3	.8	1.6	-13.2	9.8	18.8	-13.1	29.4
Transportation equipment	37	3.1	17.3	-6.1	.3	-2.7	-.7	-.2	.0	-.6	-22.9	25.9	.0	3.1	-3.8
Motor vehicles and parts	371	.7	37.3	-2.9	10.2	5.2	-1.0	.5	1.7	.1	-36.7	53.9	.8	6.6	3.3
Autos and light trucks		2.6	67.9	-4.2	14.2	-.1	-7.2	10.6	-5.4	2.2	-45.3	86.4	-3.8	9.6	2.7
Aerospace and misc.	372-6,9	6.6	-3.0	-10.0	-11.3	-12.5	-.4	-1.2	-2.4	-1.6	-3.4	-.1	-1.2	-2.1	-12.7
Instruments	38	1.9	3.4	.1	10.1	3.5	.8	-.7	-.1	.6	.8	.3	.1	-1.7	3.4
Miscellaneous	39	-3.4	-8.4	2.2	10.4	.8	.5	.0	-.2	1.6	-2.7	3.3	.7	3.4	4.1
Nondurable		-.9	.3	.7	-.2	-1.9	-.5	.4	.3	.6	-1.3	3.1	.2	-.6	1.1
Foods	20	1.8	8.8	5.2	-4.2	-6.9	-1.3	.0	.5	.5	-.8	3.5	1.2	-1.8	.5
Tobacco products	21	-8.7	-18.1	-12.8	-2.8	-3.6	1.6	-1.5	-4.0	2.1	-20.7	23.3	-6.7	6.1	-7.2
Textile mill products	22	-2.9	-6.5	-1.9	6.4	-1.7	.4	-1.2	-1.2	.8	-6.1	5.1	-2.1	3.2	-1.7
Apparel products	23	-6.1	-12.0	-9.7	-2.1	-13.1	-1.2	-1.6	-1.2	1.0	-4.7	3.3	-1.4	-.6	-7.9
Paper and products	26	-1.2	-2.4	7.2	-4.9	4.3	-.8	1.3	.5	.1	-1.8	2.2	-.3	1.9	1.5
Printing and publishing	27	-1.8	-.3	-4.5	.9	-2.0	-.8	.9	.7	.7	1.7	2.1	.8	-.6	.7
Chemicals and products	28	-2.3	-1.6	.2	4.3	-.4	-.9	1.2	.1	1.1	.7	1.4	.8	-2.1	3.4
Petroleum products	29	1.5	-2.9	13.1	-8.3	1.5	1.7	-.2	.5	.7	1.8	.2	.2	-2.4	3.7
Rubber and plastics products	30	3.4	7.1	1.6	3.8	5.6	1.5	-.3	1.6	-.8	-3.5	4.2	.1	1.0	4.0
Leather and products	31	-7.4	-4.6	-13.9	-.2	-5.7	-3.0	1.8	-.2	-1.6	-9.3	7.7	-.8	-1.6	-5.5
Mining		-4.9	-10.8	-7.4	-3.3	4.6	.7	1.1	-.2	.1	-.6	2.6	-.1	-.4	-2.6
Metal mining	10	-1.2	14.9	-11.4	-28.1	-22.6	-.7	1.6	-2.2	1.1	-3.7	2.7	.0	-2.3	-18.1
Coal mining	12	3.0	-5.2	-15.4	-1.0	13.6	2.9	.9	-1.0	-.8	-4.1	9.1	-.2	-.5	-1.9
Oil and gas extraction	13	-8.5	-17.7	-7.6	.8	8.5	.6	1.4	.1	.5	.5	1.2	.8	.1	-1.6
Stone and earth minerals	14	3.5	7.2	7.9	-10.4	-9.0	-.6	-.3	.1	-1.1	-.2	1.8	-3.4	-1.9	1.1
Utilities		-1.1	-20.5	4.8	7.9	11.3	2.8	-1.1	-2.5	2.0	11.5	-2.8	-9.8	-4.2	2.5
Electric	491,3pt	1.4	-14.1	-1.1	8.4	11.1	3.2	-1.3	-2.8	2.3	13.2	-2.8	-10.6	-7.6	1.3
Gas	492,3pt	-13.4	-47.7	43.6	5.1	12.2	.3	.1	-1.0	.2	-5.1	-2.5	-.7	31.1	9.9
SPECIAL AGGREGATES															
Computers, communications eq. and semiconductors ¹		26.7	32.2	17.2	39.7	40.2	4.7	1.9	.9	1.5	-2.2	5.7	7.9	-6.6	28.7
Manufacturing excluding:															
Motor vehicles and parts		2.6	3.1	1.8	3.5	3.0	.5	.3	.0	.7	-1.9	3.2	1.1	-1.3	3.2
Computer and office equipment		1.4	3.9	.7	2.8	2.2	.3	.3	.0	.6	-4.4	5.5	1.1	-.7	2.3
Computers and semiconductors ¹		.3	2.2	.0	1.3	.7	.1	.2	.0	.5	-4.1	5.3	.4	-.1	1.1
Computers, communications eq. and semiconductors ¹		.2	2.4	-.1	.5	-.2	.0	.2	.0	.5	-4.3	5.3	.4	-.2	.7

1. Semiconductors include related electronic components.

Note—Percent changes shown in the first and last columns are based on seasonally adjusted data.

Table 6 (continued)
INDUSTRIAL PRODUCTION: INDUSTRY SUBTOTALS AND INDIVIDUAL SERIES

Item	SIC	1998 IP Proportion ¹	Index, 1992 = 100											
			Seasonally adjusted						Not seasonally adjusted					
			1999 Apr.	May	June	July ^f	Aug. ^f	Sept. ^f	1999 Apr.	May	June	July ^f	Aug. ^f	Sept. ^f
Instruments	38	4.88	115.6	117.9	117.7	118.6	117.8	117.7	113.9	115.4	119.5	120.5	120.8	121.0
Scientific and medical	381-4	4.09	117.3	118.2	118.1	118.3	117.6	117.0	115.1	115.4	120.3	120.9	121.3	120.5
Medical instruments	384	1.60	130.2	131.6	133.1	132.0	132.0	132.4	124.5	125.9	139.8	143.4	144.5	144.8
Misc. manufactures	39	1.32	118.2	119.4	118.4	119.0	119.0	118.7	117.9	118.5	118.9	115.7	119.5	120.4
Consumer goods	391,3,4,6	.62	107.9	110.2	108.2	107.0	107.7	106.9	108.7	109.1	107.5	101.7	106.8	108.3
Business supplies	395,9	.70	129.0	129.1	129.1	131.6	130.8	131.2	127.4	128.0	130.4	130.0	132.6	132.7
Electric utilities	491,3pt	5.28	118.2	117.8	120.3	124.2	122.5	119.1	105.5	109.2	124.2	140.6	136.7	122.1
Generation		1.97	115.5	113.9	117.5	120.1	118.4	115.0	104.8	109.9	124.7	132.9	128.5	113.1
Fossil fuel		.95	121.1	114.3	114.4	118.2	115.8		104.8	105.9	120.9	137.6	132.5	
Hydro and nuclear		1.02	110.2	113.2	120.2	121.7	120.5		104.5	113.3	127.9	128.8	125.1	
Sales		3.31	120.0	120.2	122.0	126.8	125.2	121.7	106.0	109.0	124.1	145.6	141.9	127.9
Residential		1.39	121.3	121.3	125.1	132.8	132.3		99.3	99.1	123.2	162.1	155.6	
Nonresidential		1.92	119.0	119.4	119.8	122.4	120.2	118.6	110.8	115.9	124.8	134.2	132.4	125.2
Commercial and other		1.19	125.4	125.5	126.5	129.2	127.5		113.6	119.1	132.5	147.0	144.1	
Industrial		.73	109.7	110.5	110.0	112.5	109.5		106.7	111.3	113.4	115.6	115.6	
Gas utilities	492,3pt	.97	104.5	104.3	108.9	109.3	109.4	108.4	106.5	78.0	62.5	59.3	57.9	57.5
Residential		.43	97.0	95.2	102.7	105.4	104.1	102.5	103.5	61.1	39.2	32.5	29.0	32.9
Commercial and other		.16	108.4	112.7	116.7	118.7	121.9	122.0	112.9	81.1	63.4	61.7	61.5	60.9
Gas transmission		.32	111.6	111.6	112.2	108.3	109.5	108.5	107.9	96.5	88.0	88.2	88.8	83.0

1. The IP proportion data are estimates of the industries' relative contributions to overall IP growth in the following year.

Table 7
INDUSTRIAL PRODUCTION: GROSS VALUE OF PRODUCTS

Billions of 1992 dollars at annual rates, seasonally adjusted

Item	1992	1998	1998 Q2	Q3	Q4	1999 Q1	Q2	Q3 ^f	1999 May	June	July ^f	Aug. ^f	Sept. ^f	Oct. ^p
Products, total	2001.9	2489.8	2486.2	2493.6	2515.1	2530.2	2549.3	2555.8	2549.8	2550.7	2549.1	2566.0	2552.3	2573.8
Final products	1552.1	1958.0	1955.3	1956.0	1976.1	1984.9	2001.0	2008.6	2000.0	2005.3	2003.3	2018.9	2003.6	2023.1
Consumer goods	1049.6	1212.3	1217.2	1206.9	1214.9	1226.9	1233.4	1236.8	1230.9	1238.6	1233.9	1243.8	1232.6	1250.4
Durable	238.3	321.0	318.6	314.6	332.6	339.8	350.3	352.8	351.0	353.9	349.8	359.1	349.6	357.6
Automotive products	123.8	165.8	162.8	159.3	175.9	175.7	181.0	181.4	181.6	184.6	175.7	188.1	180.4	183.8
Other durable goods	114.4	155.3	156.2	155.7	156.2	164.1	169.3	171.6	169.4	169.2	175.0	170.7	169.3	174.1
Nondurable	811.3	892.7	899.5	893.2	884.9	890.1	886.9	887.9	883.9	888.7	887.8	889.3	886.7	896.9
Equipment, total	502.5	746.9	741.4	753.2	765.7	761.9	771.9	776.3	773.5	770.8	773.8	779.4	775.6	776.7
Business and defense	483.9	722.2	715.1	729.7	744.4	742.5	753.8	757.8	755.2	752.6	756.1	761.0	756.5	757.2
Business	399.2	659.0	653.9	668.5	683.7	682.8	694.6	699.0	695.8	693.8	697.1	701.7	698.2	698.4
Defense and space	84.7	63.9	63.9	64.1	63.7	62.8	62.4	62.2	62.7	62.1	62.3	62.7	61.6	62.2
Intermediate products	449.9	533.6	532.0	538.1	539.9	545.9	549.0	548.2	550.3	546.5	546.8	548.4	549.4	551.7
Construction supplies	177.2	224.9	223.0	226.1	229.2	233.9	233.8	235.8	234.8	233.3	236.1	235.2	236.1	237.7
Business supplies	272.7	308.3	308.6	311.7	310.3	311.4	314.7	311.9	315.1	312.7	310.2	312.8	312.9	313.5
Commercial energy products	70.4	82.7	82.5	86.0	83.4	84.3	85.6	86.1	85.3	85.1	86.1	86.4	85.8	86.2

Table 8
DIFFUSION INDEXES OF INDUSTRIAL PRODUCTION

Percent												
Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
One Month Earlier												
1997	53.4	65.7	53.7	51.3	53.7	56.3	58.8	49.8	55.6	55.8	61.4	50.9
1998	55.8	47.2	50.2	53.7	49.1	39.3	54.7	46.8	39.7	56.2	48.3	52.1
1999	49.6	52.8	50.9	56.6	53.6	51.3	59.7	54.5	43.4			
Three Months Earlier												
1997	58.2	65.7	59.0	62.7	54.9	55.6	60.2	60.9	59.0	58.1	65.5	63.7
1998	59.6	52.1	54.3	49.1	55.4	44.2	46.8	44.6	45.7	47.6	49.1	52.1
1999	49.4	48.7	51.3	59.2	54.7	53.9	53.6	59.0	49.4			
Six Months Earlier												
1997	65.3	65.7	63.8	61.6	58.4	62.7	67.3	62.8	63.5	66.9	68.8	65.0
1998	63.7	63.3	61.0	58.1	56.6	48.3	46.8	46.4	43.3	47.6	46.4	48.7
1999	52.8	51.3	55.4	59.2	55.1	56.9	57.3	54.7	52.8			

Note—The diffusion indexes are calculated as the percentage of series that increased over the indicated span (one, three, or six months) plus one-half the percentage that were unchanged.

Explanatory Note

The statistical release of **Industrial Production and Capacity Utilization** reports measures of output, capacity, and capacity utilization in manufacturing, mining, and the electric and gas utilities industries. The release also includes monthly indexes on the use of electric power in manufacturing and mining. Files containing data in the release and historical data are available under statistical releases at <http://www.federalreserve.gov>, the Board's World Wide Web site. For paid access to these files through the Department of Commerce's Economic Bulletin Board or World Wide Web site, please call STAT-USA at 1-800-STAT-USA or (202) 452-1986. Diskettes containing historical data and the data published in this release are available from the Board of Governors of the Federal Reserve System, Publications Services, (202) 452-3245.

Industrial Production

Coverage. The industrial production (IP) index measures output in the manufacturing, mining, and electric and gas utilities industries; the reference period for the index is 1992. For the period since 1992, the total IP index has been constructed from 267 individual series based on the 1987 Standard Industrial Classification (SIC). These individual series are classified in two ways: (1) market groups (shown in table 1), such as consumer goods, equipment, intermediate products, and materials; and (2) industry groups (shown in tables 2 and 6), such as two-digit SIC industries and major aggregates of these industries—for example, durable and nondurable manufacturing, mining, and utilities.

Market groups. For purposes of analysis, the individual IP series are grouped into final products, intermediate products, and materials. Final products are assumed to be purchased by consumers, businesses, or government for final use. Intermediate products are expected to become inputs in nonindustrial sectors, such as construction, agriculture, and services. Materials are industrial output requiring further processing within the industrial sector. Total products comprise final and intermediate products, and final products are divided into consumer goods and equipment.

Timing. The first estimate of output for a month is published around the 15th of the following month. The estimate is preliminary (denoted by the superscript "p" in tables) and subject to revision in each of the subsequent three months as new source data become available. (Revised estimates are denoted by the superscript "r" in tables.) After the fourth month, indexes are not revised further until the time of an annual revision or a benchmark revision. The last three benchmark revisions were published in 1990, 1985, and 1976.

Source data. In annual or benchmark revisions, the individual IP indexes are constructed from a variety of source data, such as the quinquennial *Censuses of Manufactures and Mineral Industries* and the *Annual Survey of Manufactures*, prepared by the Bureau of the Census; the *Minerals Yearbook*, prepared by the Department of the Interior; and publications of the Department of Energy. On a monthly basis, the individual indexes of industrial production are constructed from two main types of source data: (1) output measured in physical units and (2) data on inputs to the production process, from which output is inferred. Data on physical products, such as tons of steel or barrels of oil, are obtained from private trade associations as well as from government agencies including those listed above; data of this type are used to estimate monthly IP where possible and appropriate. When suitable data on physical product are unavailable, estimates of output are based on either production-worker hours or electric power use by industry. Data on hours worked by production workers are collected in the monthly establishment survey conducted by the Bureau of Labor Statistics. The data on electric power use are described below. The factors used to convert inputs into estimates of production are based on historical relationships between the inputs and the comprehensive data used to benchmark the IP indexes; these factors also may be influenced by technological or cyclical developments. Especially for the first and second estimates for a given month, the available source data are limited and subject to revision.

Weights. In the index, series that measure the output of an individual industry are weighted according to their proportion in the total value-added output of all industries. The industrial production index, which extends back to 1919, is built as an annually weighted chain-type index since 1977. The components of IP are combined using estimates of value added per unit of output. For months from January to June, the weights are drawn from the year containing the month being estimated and the preceding year; for months from July to December, the weights are drawn from the current and following year. The IP proportions shown in column 1 of tables 1A, 2A, and 6 are estimates of the industries' relative contributions to overall growth in the following year. For example, a 1 percent increase in durable goods manufacturing in 1997 would account for an increase in total IP of nearly 1/2 percent.

Seasonal adjustment. Individual series are seasonally adjusted by the X-11 ARIMA method, developed at Statistics Canada. For series based on production-worker hours, the current seasonal factors were estimated with data through October 1998; for other series, the factors were estimated with data through at least June 1998. Series are preadjusted for the effects of holidays or the business cycle where appropriate. For the data since 1977, all seasonally adjusted aggregate indexes are calculated by aggregating the seasonally adjusted indexes of the individual series.

Reliability. The average revision to the *level* of the total IP index, without regard to sign, between the first and the fourth estimates was 0.28 percent during the 1987–97 period. The average revision to the *percent change* in total IP, without regard to sign,

from the first to the fourth estimates was 0.21 percentage point during the 1987–97 period. In most cases (about 83 percent), the direction of change in output indicated by the first estimate for a given month is the same as that shown by the fourth estimate.

Rounding. The published percent changes are calculated from unrounded indexes, and may not be the same as percent changes calculated from the rounded indexes shown in the release.

Capacity Utilization

Definition. Capacity utilization is calculated for the manufacturing, mining, and electric and gas utilities industries. For a given industry, the utilization rate is equal to an output index divided by a capacity index. Output is measured by seasonally adjusted indexes of industrial production. The capacity indexes attempt to capture the concept of sustainable practical capacity, which is defined as the greatest level of output that a plant can maintain within the framework of a realistic work schedule, taking account of normal downtime, and assuming sufficient availability of inputs to operate the machinery and equipment in place. The 76 individual capacity indexes are based on a variety of data, including capacity data measured in physical units compiled by trade associations, surveys of utilization rates and investment, and estimates of growth of the capital input.

Groups. Estimates of capacity and utilization are available for a variety of groups, including primary and advanced processing industries within manufacturing, durable and nondurable manufacturing, total manufacturing, mining, utilities, and total industry. Component industries of the primary and advanced processing groups within manufacturing are listed in the note on tables 2 and 3 of the release.

Weights. Although each utilization rate is the result of dividing an IP series by a corresponding capacity index, aggregate utilization rates are equivalent to combinations of individual utilization rates aggregated with proportions that reflect current capacity levels of output valued in current-period value added per unit of actual output. The implied proportions of individual industry operating rates in the rate for total industry for the most recent year are shown in the first column of table 3.

Perspective. The historical highs and lows in capacity utilization shown in the tables above are specific to each series and did not all occur in the same month. Industrial plants usually operate at capacity utilization rates that are well below 100 percent: none of the broad aggregates has ever reached 100 percent. For total industry and total manufacturing, utilization rates have exceeded 90 percent only in wartime.

Electric Power

Data on electric power (expressed in kilowatt hours) are collected by the Federal Reserve District Banks from electric utilities and also from manufacturing and mining establishments that generate electric power for their own use (cogenerators). The indexes of power use shown in table 9 are sums of kilowatt hours used by an industry or industry group expressed as a percentage of that industry's or group's usage in 1992. The first column of the table shows, for reference, electric power use in billions of kilowatt hours as reported by manufacturing and mining industries in the 1992 censuses of those industries. The supplementary group, "Total, less nuclear nondefense," is shown separately because the value-added proportion for the nondefense nuclear material series (part of SIC 2819) in total IP is considerably smaller than its share of total electric power use. Excluding this component from total power use facilitates comparisons with total IP.

References

The annual revision published on November 24, 1998 is described more completely in the *Federal Reserve Bulletin*, vol.85 (January 1999).

A description of the aggregation methods for industrial production and capacity utilization is included in an article in the *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. *Industrial Production—1986 Edition* contains a more detailed description of the other methods used to compile the industrial production index, plus a history of its development, a glossary of terms, and a bibliography. To obtain *Industrial Production—1986 Edition* (\$9.00 per copy), write to Board of Governors of the Federal Reserve System, Publications Services, Washington, DC 20551. The major revisions to the IP indexes and capacity utilization since 1990 have been described in the *Federal Reserve Bulletin* (April 1990, June 1990, June 1993, March 1994, January 1995, and January 1996, February 1997, February 1998, January 1999). The basic methodology used to estimate capacity and utilization is discussed in the June 1990 *Federal Reserve Bulletin*.

Release Schedule for 1999 and 2000

At 9:15 a.m. on:

1999: January 15, February 17, March 16, April 16, May 14, June 16, July 16, August 17, September 16, October 15, November 16, and December 15

2000: January 14, February 15, March 15, April 14, May 15, June 15, July 14, August 15, September 15, October 17, November 15, and December 15