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Title: The Multifractal Character of Capacity Utilization over the Business Cycle: an Application of Hurst Signature Analysis

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RESEARCH HIGHLIGHTS

- Capacity utilization rates and the index of industrial production are examined for multifractality.
- Generally, the three series behave very similarly, even though the index of industrial production is unambiguously non-stationary.
- Manufacturing sector capacity utilization is less persistent than overall capacity utilization, meaning this middle-stage activity is less directly affected by external driving forces such as expansionary economic policy.
- Observed fractal persistency of the three series suggests that production activity is driven largely by Cantillon effects of monetary expansion, but this effect predominates more in early and late-stage production which is included in total capacity utilization but omitted from manufacturing utilization.

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