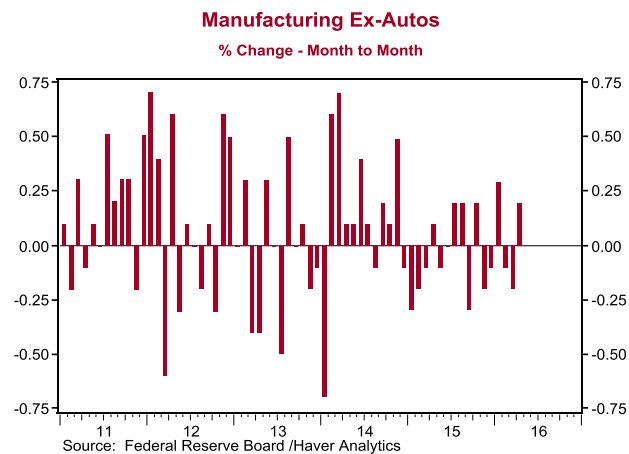
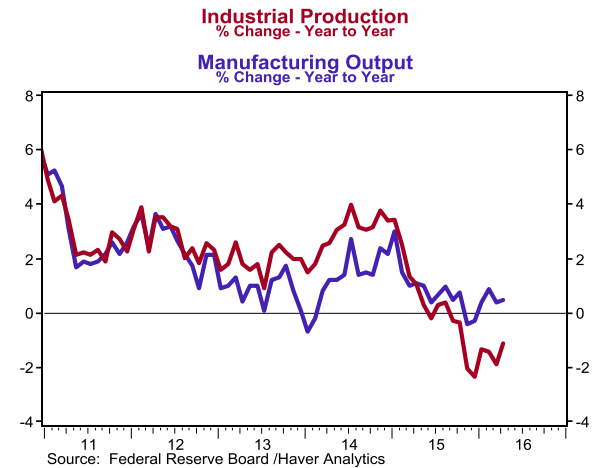


April Industrial Production / Capacity Utilization

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- Industrial production increased 0.7% in April, coming in above the consensus expected increase of 0.3%. Utility output jumped 5.8% in April, while mining fell 2.3%.
- Manufacturing, which excludes mining/utilities, increased 0.3% in April. Auto production increased 1.3% while non-auto manufacturing rose 0.2%. Auto production is up 4.3% versus a year ago while non-auto manufacturing is up 0.1%.
- The production of high-tech equipment increased 0.1% in April and is up 2.4% versus a year ago.
- Overall capacity utilization rose to 75.4% in April from 74.9% in March. Manufacturing capacity utilization rose to 75.3% in April from 75.1% in March.

Implications: After two consecutive months of ugly reports, industrial production surged 0.7% in April, easily beating consensus expectations, and posting its strongest advance since November 2014. The biggest increase in today's report came from utilities, where output spiked 5.8% higher, the largest monthly gain since 2007. This comes on the heels of an unusually warm winter, which had been a consistent drag on utilities over the past several months. More important, manufacturing was another bright spot in today's report, increasing 0.3% in April to 0.5% above its year ago level. This was primarily due to a jump in auto production, which rose 1.3% in April, and is up 4.3% from a year. Although the production of business equipment is still down 0.4% from a year ago, it rose 0.9% in April and is up 4.4% annualized in the past three months, showing healthy recent demand for U.S. produced capital goods. Meanwhile, mining output continued its slide in April, falling 2.3%, reflecting a more pronounced 6.8% drop in oil and gas extraction. While mining (and energy in general) has been a drag on production over the past year, we expect activity in that sector to stabilize in the months ahead as energy prices have started rising again. Based on other commodity prices, oil prices should average at higher levels over the next several years. Although we don't expect overall production to boom any time soon – weak overseas economies will continue to be a headwind – we do expect a gradual pick-up in activity in 2016. One sign of these headwinds is that in other news yesterday, the Empire State index, a measure of manufacturing sentiment in New York, fell unexpectedly to -9.0 in May from +9.6 in April.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Apr-16	Mar-16	Feb-16	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.7%	-0.9%	-0.2%	-1.9%	-2.1%	-1.1%
Manufacturing	0.3%	-0.3%	0.0%	0.0%	0.0%	0.5%
Motor Vehicles and Parts	1.3%	-1.4%	0.8%	2.6%	1.9%	4.3%
Ex Motor Vehicles and Parts	0.2%	-0.2%	-0.1%	-0.4%	-0.2%	0.1%
Mining	-2.3%	-3.0%	-0.7%	-21.6%	-20.1%	-13.3%
Utilities	5.8%	-3.3%	-1.1%	4.8%	1.0%	0.4%
Business Equipment	0.9%	-0.4%	0.6%	4.4%	-0.6%	-0.4%
Consumer Goods	1.2%	-0.8%	-0.1%	1.2%	1.6%	1.3%
High-Tech Equipment	0.1%	-0.8%	0.5%	-1.2%	2.7%	2.4%
Total Ex. High-Tech Equipment	0.7%	-0.9%	-0.2%	-1.5%	-2.1%	-1.1%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	75.4	74.9	75.6	75.3	75.5	76.0
Manufacturing	75.3	75.1	75.4	75.3	75.3	75.4

Source: Federal Reserve Board