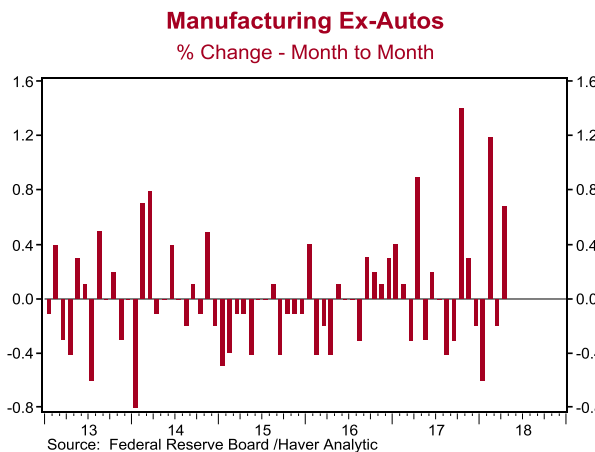
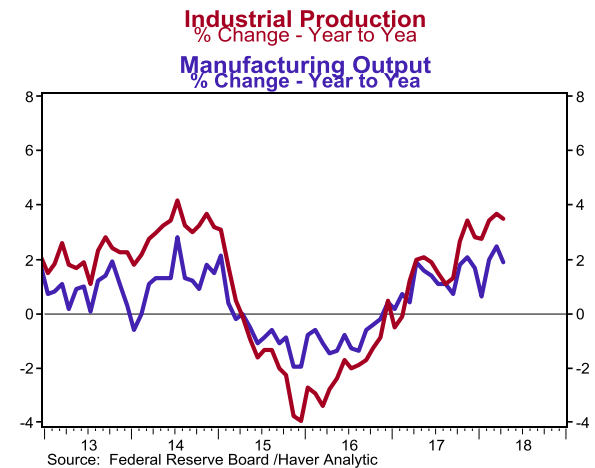


## April Industrial Production / Capacity Utilization

Brian S. Wesbury – Chief Economist  
 Robert Stein, CFA – Dep. Chief Economist  
 Strider Elass – Senior Economist

- Industrial production rose 0.7% in April (+0.1% including revisions to prior months). The consensus expected a gain of 0.6%. Mining output increased 1.1% in April, while utilities rose 1.9%.
- Manufacturing, which excludes mining/utilities, rose 0.5% in April. Auto production declined 1.3% while non-auto manufacturing rose 0.7%. Auto production is up 3.2% versus a year ago while non-auto manufacturing is up 1.8%.
- The production of high-tech equipment rose 0.8% in April and is up 6.1% versus a year ago.
- Overall capacity utilization rose to 78.0% in April from 77.6% in March. Manufacturing capacity utilization increased to 75.8% in April from 75.5% in March.



**Implications:** Industrial production moved higher in April, supporting our case that the economy is growing at about a 4.0% annual rate in the second quarter. Industrial production rose 0.7% for the month as manufacturing, mining, and utilities all increased. We like to follow what we call “core” production, which is manufacturing excluding the volatile auto sector. That measure increased 0.7% in April and is up at a 3.3% annual rate so far this year. Meanwhile, the late arrival of Spring across much of the U.S. resulted in the coldest April in 21 years, so it’s little surprise that increased demand for heating pushed utilities higher. (Look for lower utility output in May as temperatures move closer to normal.) In addition, mining rose 1.1% in April on the back of healthy gains in oil and gas extraction. In the past year, mining production is up 10.6%. And the rig count has continued to rise in recent weeks, suggesting gains in mining production will continue in the months ahead. The typically volatile motor vehicle sector was one of the sole areas in today’s report to show declines, down 1.3% in April. But auto production is still up a healthy 3.2% in the past year. The worst news in today’s report came in the form of downward revisions to prior months, which reduced the reading on industrial growth for the first quarter to a 2.3% annual rate from a prior estimate of 4.5%. Still nothing to scoff at. And [as we have noted before](#), the modest Q1 initial real GDP reading of 2.3% is being held down by timing issues, which belie the underlying trend toward faster economic growth. Look for that trend to be much more apparent in Q2 and for the US economy to clock in at around a 3.0% annual growth rate for 2018 overall.

Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Apr-18	Mar-18	Feb-18	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
<b>Industrial Production</b>	<b>0.7%</b>	0.7%	0.4%	7.8%	4.8%	3.5%
<b>Manufacturing</b>	<b>0.5%</b>	0.0%	1.4%	8.1%	2.9%	1.9%
<b>Motor Vehicles and Parts</b>	<b>-1.3%</b>	2.8%	3.9%	23.8%	11.1%	3.2%
<b>Ex Motor Vehicles and Parts</b>	<b>0.7%</b>	-0.2%	1.2%	6.9%	2.4%	1.8%
<b>Mining</b>	<b>1.1%</b>	0.8%	2.8%	20.4%	14.3%	10.6%
<b>Utilities</b>	<b>1.9%</b>	6.1%	-9.6%	-8.5%	6.7%	6.0%
<b>Business Equipment</b>	<b>1.2%</b>	0.1%	0.0%	5.4%	2.0%	1.3%
<b>Consumer Goods</b>	<b>0.9%</b>	1.0%	-0.4%	6.6%	4.6%	3.4%
<b>High-Tech Equipment</b>	<b>0.8%</b>	0.5%	0.3%	6.2%	7.9%	6.1%
<b>Total Ex. High-Tech Equipment</b>	<b>0.8%</b>	0.7%	0.5%	7.9%	4.9%	3.4%
<b>Cap Utilization (Total)</b>	<b>78.0</b>	77.6	77.1	3-mo Average 77.6	6-mo Average 77.3	12-mo Average 76.7
<b>Manufacturing</b>	<b>75.8</b>	75.5	75.6	75.6	75.3	75.0