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March Industrial Production / Capacity Utilization

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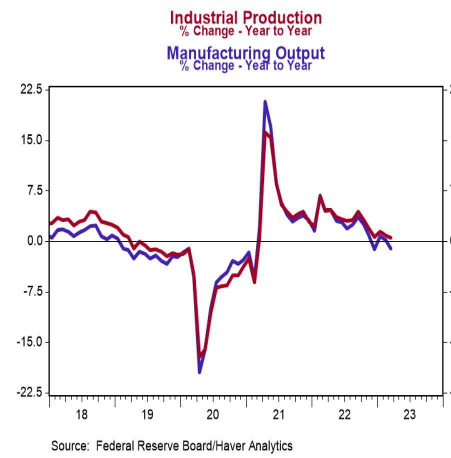
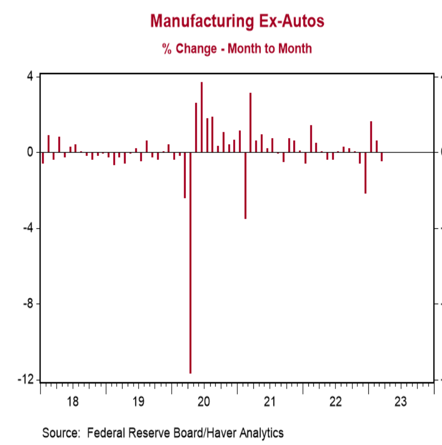
- Industrial production increased 0.4% in March (+1.0% including revisions to prior months), beating the consensus expected gain of 0.2%. Utilities output rose 8.3% in March, while mining fell 0.5%.

- Manufacturing, which excludes mining/utilities, declined 0.5% in March. Auto production fell 1.5%, while non-auto manufacturing declined 0.5%. Auto production is up 1.9% in the past year, while non-auto manufacturing is down 1.4%.

- The production of high-tech equipment increased 0.5% in March and is up 2.1% versus a year ago.

- Overall capacity utilization rose to 79.8% in March from 79.6% in February. Manufacturing capacity utilization fell to 78.1% in March from 78.6%.





Implications: Industrial production came in better than expected in March, rising for a third consecutive month. Upward revisions to data in the first two months of 2023 show activity was stronger than previously believed, although the details in March itself were weaker than the headline numbers suggested. The only major category to post a gain in today's report was the utilities sector which is volatile and largely dependent on weather. The Federal Reserve points out that the 8.3% gain in March was due to an increase in demand for heating as temperatures dropped following an unseasonably warm February. Meanwhile, the manufacturing sector posted a decline of 0.5% in March. Both auto and non-auto manufacturing activity were responsible for the decline in March, falling 1.5% and 0.5% respectively. Given the trend of consumers shifting their preferences back toward services and away from goods, we expect continued weakness in manufacturing this year. Our forecast is still a recession in 2023 with the goods sector of the economy leading the way. Finally, the mining sector was another source of weakness in March, posting a decline of 0.5%. The drop was driven by a slower pace of oil and other mineral extraction as well as less drilling of new wells, which more than offset a gain in the production of natural gas. Given that the mining index remains below its pre-pandemic highs and that oil prices recently jumped above $80 a barrel in response to the recent announcement of an OPEC+ production cut, we don't expect weakness in US energy production to last. Look for the mining sector to be a lifeline for industrial production in 2023.

Industrial Production Capacity Utilization *All Data Seasonally Adjusted*	**Mar-23**	**Feb-23**	**Jan-23**	**3-mo % Ch *annualized***	**6-mo % Ch. *annualized***	**Yr to Yr *% Change***
Industrial Production	**0.4%**	0.2%	0.9%	6.0%	-1.0%	0.5%
Manufacturing	**-0.5%**	0.6%	1.5%	6.3%	-2.2%	-1.1%
Motor Vehicles and Parts	**-1.5%**	0.4%	0.8%	-1.5%	-1.5%	1.9%
Ex Motor Vehicles and Parts	**-0.5%**	0.6%	1.6%	7.2%	-2.2%	-1.4%
Mining	**-0.5%**	-1.0%	4.0%	10.2%	-1.0%	5.4%
Utilities	**8.3%**	-0.8%	-7.1%	-0.7%	8.0%	4.2%
Business Equipment	**-1.0%**	-0.5%	1.3%	-1.2%	-5.2%	1.2%
Consumer Goods	**0.9%**	0.5%	-0.3%	4.4%	1.6%	0.0%
High-Tech Equipment	**0.5%**	2.4%	-0.5%	9.7%	0.6%	2.1%
Total Ex. High-Tech Equipment	**0.3%**	0.2%	1.0%	6.1%	-1.2%	0.5%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	**79.8**	79.6	79.5	79.6	79.8	80.2
Manufacturing	**78.1**	78.6	78.3	78.3	78.4	79.0

Source: Federal Reserve Board