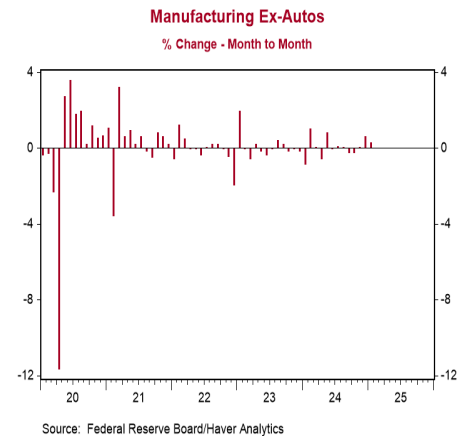
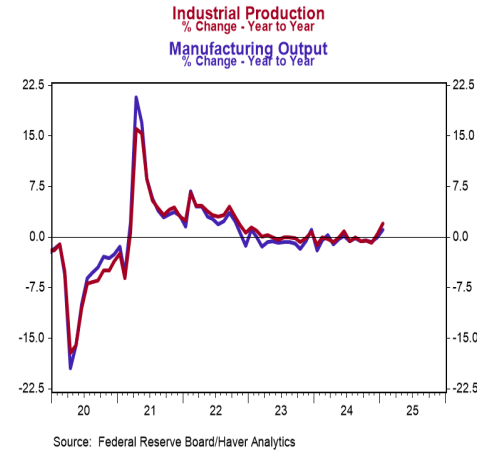


## January Industrial Production / Capacity Utilization

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- Industrial production increased 0.5% in January (+0.3% including revisions to prior months), beating the consensus expected gain of 0.3%. Utilities output jumped 7.2% in January, while mining declined 1.2%.
- Manufacturing, which excludes mining/utilities, declined 0.1% in January (-0.3% including revisions to prior months). Auto production fell 5.1%, while non-auto manufacturing rose 0.3%. Auto production is down 5.9% in the past year, while non-auto manufacturing is up 1.5%.
- The production of high-tech equipment increased 0.1% in January and is up 6.2% versus a year ago.
- Overall capacity utilization increased to 77.8% in January from 77.5% in December. Manufacturing capacity utilization declined to 76.3% in January from 76.4%.

**Implications:** Industrial production continued to rebound at a faster than expected pace in January, though not as strong as December’s broad-based “Trump Bump” in activity. It’s true that businesses can now look forward to an easier regulatory environment in the next four years, as well as lower tax rates on profits. However, manufacturers will now also have to contend with uncertainty surrounding tariffs (whether they are actually put in place or not), and the resulting changes in supply chains. For example, overall manufacturing output fell 0.1% in January, which was entirely due to the auto sector, where activity dropped 5.1%. Given the amount of activity that happens in the auto industry across the US southern border, trade negotiations with Mexico will exacerbate volatility in this sector. Meanwhile, non-auto manufacturing (which we think of as a “core” version of industrial production) increased a healthy 0.3% in January. Part of this was likely catchup activity as the Boeing machinists got back to work following a recent strike resolution, with aerospace parts and equipment production jumping 6.0%. Another notable gain in this “core” measure came from the production in high-tech equipment which rose 0.1% in December, likely the result of investment in AI as well as the reshoring of semiconductor production. High-tech manufacturing is up 6.2% in the past year. The utilities sector (which is volatile and largely dependent on weather) was also a huge source of strength in January, jumping 7.2% to an all-time record high as colder than normal temperatures boosted demand for home heating. Finally, the mining sector posted a decline of 1.2% in January. A slower pace of oil and gas production, metal and mineral extraction, and drilling for new wells all contributed. Look for an upward trend in activity in that sector in 2025 as the incoming Trump Administration takes a more aggressive stance with permitting.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Jan-25	Dec-24	Nov-24	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
<b>Industrial Production</b>	<b>0.5%</b>	1.0%	-0.1%	5.6%	2.0%	2.0%
<b>Manufacturing</b>	<b>-0.1%</b>	0.5%	0.2%	2.5%	0.4%	1.1%
<b>Motor Vehicles and Parts</b>	<b>-5.1%</b>	-1.6%	3.4%	-13.3%	-1.8%	-5.9%
<b>Ex Motor Vehicles and Parts</b>	<b>0.3%</b>	0.6%	0.0%	3.7%	0.6%	1.5%
<b>Mining</b>	<b>-1.2%</b>	2.0%	-0.7%	0.3%	1.0%	3.4%
<b>Utilities</b>	<b>7.2%</b>	3.0%	-1.9%	37.5%	14.2%	6.9%
<b>Business Equipment</b>	<b>2.1%</b>	1.8%	1.7%	24.7%	-1.9%	-0.4%
<b>Consumer Goods</b>	<b>0.9%</b>	0.3%	-0.4%	3.2%	1.6%	0.9%
<b>High-Tech Equipment</b>	<b>0.1%</b>	0.3%	-1.4%	-4.0%	4.6%	6.2%
<b>Total Ex. High-Tech Equipment</b>	<b>0.5%</b>	1.0%	-0.1%	5.7%	1.8%	1.9%
<b>Cap Utilization (Total)</b>	<b>77.8</b>	77.5	76.8	3-mo Average	6-mo Average	12-mo Average
				77.4	77.4	77.7
<b>Manufacturing</b>	<b>76.3</b>	76.4	76.1	3-mo Average	6-mo Average	12-mo Average
				76.3	76.4	76.8

Source: Federal Reserve Board