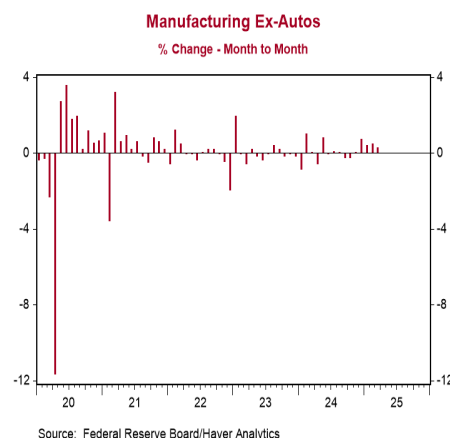
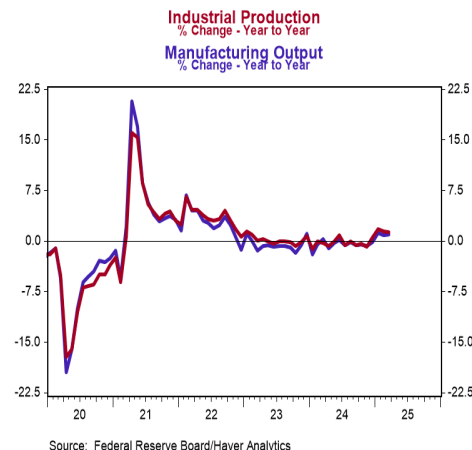


March Industrial Production / Capacity Utilization

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- Industrial production declined 0.3% in March, lagging the consensus expected drop of 0.2%. Utilities output fell 5.8% in March, while mining rose 0.6%.
- Manufacturing, which excludes mining/utilities, increased 0.3% in March (+0.4% including revisions to prior months). Auto production jumped 1.2%, while non-auto manufacturing rose 0.3%. Auto production is down 4.9% in the past year, while non-auto manufacturing is up 1.5%.
- The production of high-tech equipment increased 0.3% in March and is up 11.3 % versus a year ago.
- Overall capacity utilization declined to 77.8% in March from 78.2% in February. Manufacturing capacity utilization rose to 77.3% in March from 77.1%.



Implications: March’s report on industrial production doesn’t include any glimpses of what happened after “Liberation Day,” but it shows that factory activity continued to expand despite tariffs going into effect on Canada, Mexico, as well as other specific products. Yes, overall industrial production declined 0.3% in March. However, that entire decline was driven by a 5.8% drop in utilities output that the Federal Reserve points out was the result of warmer than normal weather reducing the demand for home heating. Every other major category increased in March. The manufacturing sector was the biggest source of strength, rising 0.3% to post a fifth consecutive gain. Looking at the details, auto production jumped 1.2% for the month. Given the amount of activity that happens in the auto industry across the US southern border, we expect trade negotiations with Mexico to heighten volatility in this sector going forward. Meanwhile, non-auto manufacturing (which we think of as a “core” version of industrial production) increased a healthy 0.3% in March, and has risen four months in a row. Another notable gain in this “core” measure came from the production in high-tech equipment which rose 0.3% in March, likely the result of investment in AI as well as the reshoring of semiconductor production. High-tech manufacturing is up 11.3% in the past year, the fastest pace of any major category. The mining sector was also a source of strength in March, rising 0.6%. A faster pace of metal and mineral extraction and drilling for new wells more than offset a decline in gas and oil extraction for the month (which was due to normal monthly volatility). Gas and oil production are up 2.4% in past year. Look for an upward trend in activity in this sector in 2025 as the Trump Administration takes a more aggressive stance with permitting. In other recent news, the Empire State Index, which measures manufacturing sentiment in the New York region, rebounded to -8.1 in April from -20.0 in March.

Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Mar-25	Feb-25	Jan-25	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	-0.3%	0.8%	0.2%	3.1%	2.6%	1.4%
Manufacturing	0.3%	1.0%	0.1%	6.2%	3.1%	1.0%
Motor Vehicles and Parts	1.2%	9.3%	-5.3%	20.1%	-1.1%	-4.9%
Ex Motor Vehicles and Parts	0.3%	0.5%	0.4%	4.9%	3.3%	1.5%
Mining	0.6%	1.7%	-2.2%	0.3%	3.0%	1.0%
Utilities	-5.8%	-1.5%	4.5%	-11.6%	-0.4%	4.5%
Business Equipment	1.7%	1.7%	1.3%	20.7%	11.5%	1.1%
Consumer Goods	-1.0%	0.5%	0.5%	0.0%	-0.8%	0.3%
High-Tech Equipment	0.3%	0.8%	3.2%	18.6%	11.3%	11.3%
Total Ex. High-Tech Equipment	-0.4%	0.9%	0.2%	2.8%	2.4%	1.1%
Cap Utilization (Total)	77.8	78.2	77.6	3-mo Average	6-mo Average	12-mo Average
Manufacturing	77.3	77.1	76.4	77.9	77.5	77.7
				76.9	76.6	76.8

Source: Federal Reserve Board