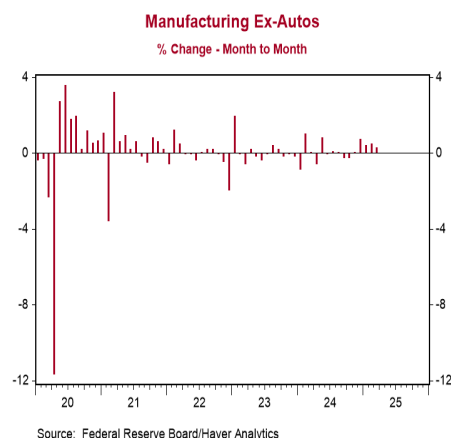
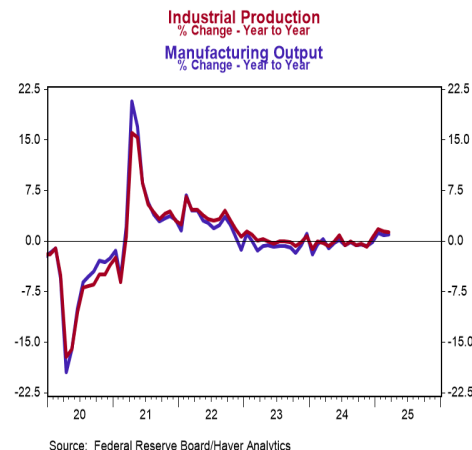


April Industrial Production / Capacity Utilization

Bryce Gill – Economist
 Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist

- Industrial production remained unchanged in April, narrowly lagging the consensus expected gain of 0.1%. Utilities output rose 3.3% in April, while mining declined 0.3%.
- Manufacturing, which excludes mining/utilities, declined 0.4% in April. Auto production fell 1.9%, while non-auto manufacturing dropped 0.4%. Auto production is down 4.0% in the past year, while non-auto manufacturing is up 1.6%.
- The production of high-tech equipment increased 1.5% in April and is up 8.6% versus a year ago.
- Overall capacity utilization declined to 77.7% in April from 77.8% in March. Manufacturing capacity utilization fell to 76.8% in April from 77.2%.

Implications: Industrial production took a breather in April, likely the result of uncertainty surrounding “Liberation Day” tariffs and trade policy. Yes, overall industrial production was unchanged in April. However, the headline number was propped up by a 3.3% jump in utilities output which is volatile and dependent on weather. Looking at the details, the manufacturing sector was the biggest source of weakness, falling 0.4% to post the first decline in six months. Auto production fell 1.9% in April on the heels of a 1.3% gain in March. Given the global nature of auto industry supply chains, we expect ongoing trade negotiations to keep volatility in this sector high going forward. Meanwhile, non-auto manufacturing (which we think of as a “core” version of industrial production) fell 0.4% in April, the first decline in five months. Despite the overall weakness in manufacturing in April, there were some bright spots in this “core” measure. Production in high-tech equipment rose 1.5% in April, likely the result of investment in AI as well as the reshoring of semiconductor production. High-tech manufacturing is up 8.6% in the past year, the fastest pace of any major category. The manufacturing of business equipment has also accelerated lately and is up at a 20.3% annualized rate in the past six months. And this hasn’t just been driven by the high-tech equipment mentioned above. Transit and industrial equipment production have been the biggest drivers, pointing towards a broader reindustrialization effort in the US. Finally, the mining sector declined 0.3% in April. A slower pace of metal and mineral extraction and drilling for new wells more than offset a gain in gas and oil extraction for the month. Gas and oil production are up 1.0% 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 this morning, the Empire State Index, which measures manufacturing sentiment in the New York region, declined to -9.2 in May from -8.1 in April. Finally, the Philadelphia Fed Manufacturing Index, a measure of factory sentiment in that region, rebounded to a still weak reading of -4.0 in May from -26.4 in April.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Apr-25	Mar-25	Feb-25	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.0%	-0.3%	0.9%	2.7%	3.4%	1.5%
Manufacturing	-0.4%	0.4%	1.1%	4.5%	3.3%	1.2%
Motor Vehicles and Parts	-1.9%	1.3%	10.1%	43.7%	7.3%	-4.0%
Ex Motor Vehicles and Parts	-0.4%	0.3%	0.5%	1.6%	2.9%	1.6%
Mining	-0.3%	1.1%	1.2%	8.8%	1.5%	0.8%
Utilities	3.3%	-6.3%	-0.8%	-14.9%	5.9%	4.3%
Business Equipment	0.2%	1.7%	2.2%	17.4%	20.3%	2.4%
Consumer Goods	-0.2%	-1.1%	0.7%	-2.3%	0.0%	-0.2%
High-Tech Equipment	1.5%	-1.0%	0.8%	5.0%	9.4%	8.6%
Total Ex. High-Tech Equipment	0.0%	-0.3%	1.0%	2.8%	3.2%	1.4%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	77.7	77.8	78.1	77.9	77.6	77.7
Manufacturing	76.8	77.2	77.0	77.0	76.6	76.7

Source: Federal Reserve Board