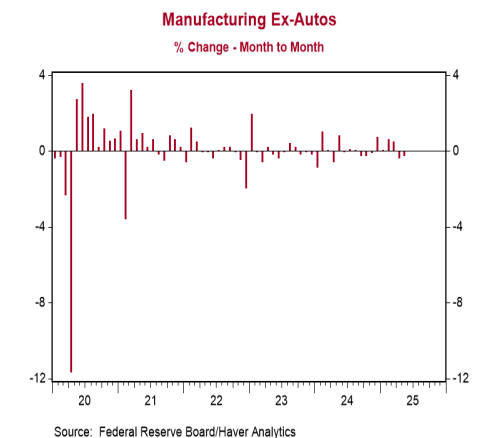
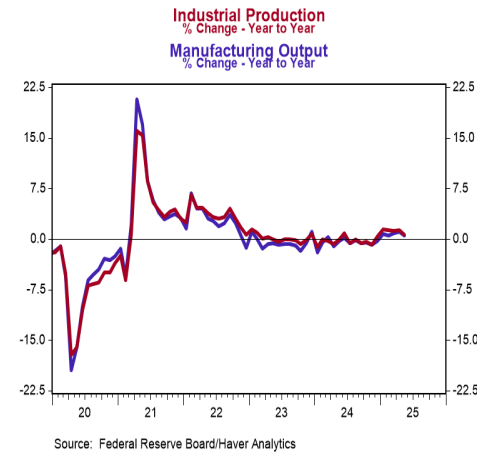


May Industrial Production / Capacity Utilization

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- Industrial production declined 0.2% in May (-0.3% including revisions to prior months), lagging the consensus expectation of no change. Utilities output fell 2.9% in May, while mining rose 0.1%.
- Manufacturing, which excludes mining/utilities, increased 0.1% in May. Auto production jumped 4.9%, while non-auto manufacturing dropped 0.3%. Auto production is up 0.9% in the past year, while non-auto manufacturing is up 0.4%.
- The production of high-tech equipment increased 0.4% in May and is up 9.8% versus a year ago.
- Overall capacity utilization declined to 77.4% in May from 77.7% in April. Manufacturing capacity utilization remained unchanged at 76.7% in May.

Implications: Uncertainty surrounding trade policy has been making data on the US industrial sector murky, and May was no different. While industrial production declined by 0.2%, the underlying details of the report were more of a mixed bag. The biggest source of weakness in May came from a 2.9% decline in utilities output, which is volatile and dependent on weather. Meanwhile, the manufacturing sector (which is most directly impacted by trade and tariff policy) eked out a small gain of 0.1% in May. Auto production jumped 4.9% in May on the heels of a 2.3% drop in April. Given the global nature of auto industry supply chains, we expect ongoing trade negotiations to keep volatility in this sector high going forward. The worst news in today's report was that non-auto manufacturing (which we think of as a "core" version of industrial production) fell 0.3% in May, the second decline in a row. That said, there were some bright spots in this "core" measure. Production in high-tech equipment rose 0.4% in May, likely the result of investment in AI as well as the reshoring of semiconductor production. High-tech manufacturing is up 9.8% in the past year, the fastest pace of any major category. The manufacturing of business equipment has also accelerated lately, rising 0.8% in May, and 17.7% at an 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 outpaced information processing equipment (think AI data centers), pointing towards a broader reindustrialization effort in the US. Finally, the mining sector increased 0.1% in May. A faster pace of metal and mineral extraction more than offset a slowdown in the drilling of new wells. Oil and gas production was unchanged in May but is up 2.5% 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.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	May-25	Apr-25	Mar-25	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	-0.2%	0.1%	-0.2%	-1.5%	3.2%	0.6%
Manufacturing	0.1%	-0.5%	0.6%	0.8%	3.1%	0.5%
Motor Vehicles and Parts	4.9%	-2.3%	1.3%	16.6%	11.2%	0.9%
Ex Motor Vehicles and Parts	-0.3%	-0.4%	0.5%	-0.8%	2.3%	0.4%
Mining	0.1%	-0.3%	1.8%	6.9%	5.5%	2.9%
Utilities	-2.9%	4.9%	-8.3%	-24.1%	2.5%	-1.6%
Business Equipment	0.8%	0.1%	1.7%	11.0%	17.7%	2.8%
Consumer Goods	-0.2%	-0.3%	-1.0%	-5.7%	1.0%	-0.5%
High-Tech Equipment	0.4%	2.8%	-0.5%	11.1%	17.0%	9.8%
Total Ex. High-Tech Equipment	-0.2%	0.0%	-0.2%	-1.5%	3.0%	0.5%
Cap Utilization (Total) Manufacturing	77.4 76.7	77.7 76.7	77.7 77.2	3-mo Average	6-mo Average	12-mo Average
				77.6 76.9	77.6 76.6	77.6 76.6

Source: Federal Reserve Board