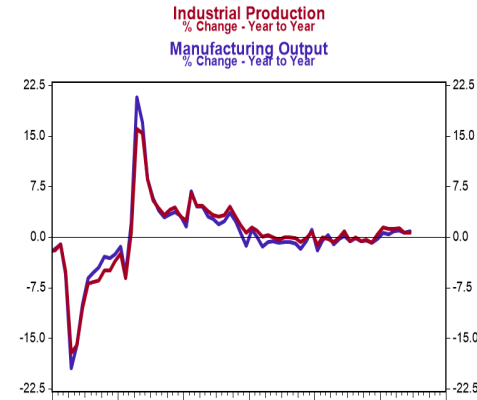


June Industrial Production / Capacity Utilization

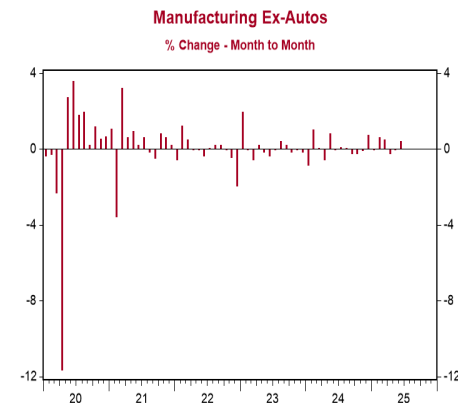
Bryce Gill – Economist
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist

- Industrial production increased 0.3% in June (+0.4% including revisions to prior months), beating the consensus expected gain of 0.1%. Utilities output rose 2.8% in June, while mining declined 0.3%.
- Manufacturing, which excludes mining/utilities, increased 0.1% in June (+0.2% including revisions to prior months). Auto production fell 2.7%, while non-auto manufacturing rose 0.4%. Auto production is down 2.2% in the past year, while non-auto manufacturing is up 1.1%.
- The production of high-tech equipment increased 0.5% in June and is up 13.2% versus a year ago.
- Overall capacity utilization increased to 77.6% in June from 77.5% in May. Manufacturing capacity utilization rose to 76.9% in June from 76.8%.

Implications: The industrial sector showed signs of life in June, with activity rising for the first time in four months as producers continue to acclimate to shifts in US trade policy. Overall production increased by 0.3% in June, prior months were revised upward, and the underlying details of the report were healthy as well. It's true the manufacturing sector (which is most directly impacted by trade and tariff policy) only eked out a small gain of 0.1% in June. However, that was held down by a 2.7% decline in auto production. Given the global nature of auto industry supply chains, we expect ongoing trade negotiations to keep volatility in this sector high going forward. The best news in today's report was that non-auto manufacturing (which we think of as a "core" version of industrial production) rose 0.4% in June, the first gain since "Liberation Day" tariffs were announced. Looking deeper, there were some other bright spots in the "core" measure. Production in high-tech equipment rose 0.5% in June, likely the result of investment in AI as well as the reshoring of semiconductor production. High-tech manufacturing is up 13.2% in the past year, the fastest pace of any major category. The manufacturing of business equipment has also accelerated lately, rising only 0.1% in June, but up at a 12.9% 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 toward a broader reindustrialization effort in the US. Utilities output (which is volatile and largely dependent on weather) was also a tailwind in June, rising 2.8%. Finally, the mining sector was the biggest source of weakness in June, with activity declining 0.3%. A slower pace of metal and mineral extraction as well as the drilling of new wells contributed to the drop. Oil and gas production was unchanged in June but is 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.



Source: Federal Reserve Board/Haver Analytics



Source: Federal Reserve Board/Haver Analytics

Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Jun-25	May-25	Apr-25	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.3%	0.0%	0.0%	1.2%	2.0%	0.7%
Manufacturing	0.1%	0.3%	-0.5%	-0.4%	2.6%	0.8%
Motor Vehicles and Parts	-2.7%	4.6%	-2.3%	-1.9%	10.4%	-2.2%
Ex Motor Vehicles and Parts	0.4%	-0.1%	-0.3%	0.0%	2.0%	1.1%
Mining	-0.3%	0.1%	-0.2%	-1.6%	0.7%	1.6%
Utilities	2.8%	-2.5%	4.2%	18.6%	-1.5%	-0.7%
Business Equipment	0.1%	0.8%	0.1%	4.2%	12.9%	3.2%
Consumer Goods	0.2%	0.0%	-0.5%	-1.2%	-0.2%	-0.8%
High-Tech Equipment	0.5%	1.9%	2.6%	21.5%	18.3%	13.2%
Total Ex. High-Tech Equipment	0.3%	-0.1%	0.0%	0.8%	1.6%	0.5%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	77.6	77.5	77.6	77.6	77.6	77.5
Manufacturing	76.9	76.8	76.7	76.8	76.7	76.6

Source: Federal Reserve Board