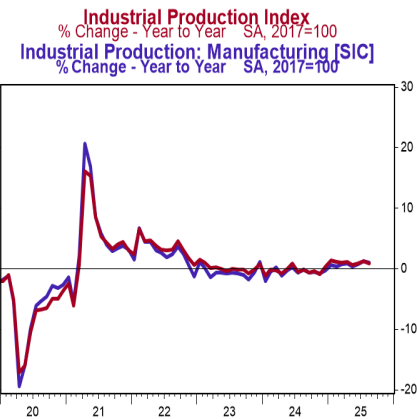


August Industrial Production / Capacity Utilization

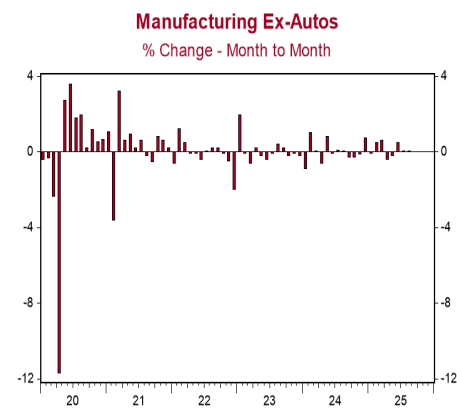
Bryce Gill – Economist
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist

- Industrial production increased 0.1% in August (-0.1% including revisions to prior months), versus a consensus expected decline of 0.1%. Utilities output fell 2.0% in August, while mining increased 0.9%.
- Manufacturing, which excludes mining/utilities, rose 0.2% in August (0.0% including revisions to prior months). Auto production rose 2.5%, while non-auto manufacturing remained unchanged. Auto production is up 1.1% in the past year, while non-auto manufacturing is up 0.9%.
- The production of high-tech equipment declined 0.1% in August but is up 13.8% versus a year ago.
- Overall capacity utilization remained unchanged at 77.4% in August. Manufacturing capacity utilization increased to 76.8% in August from 76.7%.

Implications: Industrial production came in better than expected in August, rising 0.1% with most major categories posting gains, though data from prior months were revised downward. Looking at the details, the manufacturing sector was the biggest positive contributor, with activity increasing 0.2%. However, data underneath the surface were weaker than the headline. The gain in manufacturing was entirely driven by the volatile auto sector where output jumped 2.5%. Manufacturing ex-autos (which we think of as a “core” version of industrial production) remained unchanged. Meanwhile the typical bright spots in the “core” measure were disappointing, as well. Production in high-tech equipment, which has been a reliable tailwind recently due to investment in AI as well as the reshoring of semiconductor production, posted a decline of 0.1%. That said, high-tech manufacturing is up 13.8% in the past year, the fastest pace of any major category. The manufacturing of business equipment also fell 0.1% in August but is still up at a strong 7.1% annualized rate in the past six months. Looking outside of manufacturing, the mining sector was also a source of strength in August, with activity rising 0.9%. A faster pace of oil and gas production, metal and mineral extraction, as well as the drilling of new wells all contributed. Look for an upward trend in activity in this sector in 2025 as the Trump Administration takes a more aggressive stance with permitting. Lastly, utilities output (which is volatile and largely dependent on weather) posted a decline of 2.0% in August. In other news this morning, the NAHB Index (a measure of homebuilder sentiment) remained at 32 in September, the lowest level since the end of 2022. Keep in mind a reading below 50 signals a greater number of builders view conditions as poor versus good, now the seventeenth consecutive month that has been the case.



Source: Federal Reserve Board/Haver Analytics



Source: Federal Reserve Board/Haver Analytics

Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Aug-25	Jul-25	Jun-25	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.1%	-0.4%	0.5%	0.8%	0.0%	0.9%
Manufacturing	0.2%	-0.1%	0.3%	1.6%	1.2%	1.0%
Motor Vehicles and Parts	2.5%	-0.7%	-2.6%	-3.3%	4.8%	1.1%
Ex Motor Vehicles and Parts	0.0%	0.0%	0.5%	2.0%	1.0%	0.9%
Mining	0.9%	-1.5%	0.4%	-0.3%	3.2%	1.1%
Utilities	-2.0%	-0.7%	2.6%	-0.7%	-11.0%	0.1%
Business Equipment	-0.1%	0.4%	0.3%	2.5%	7.1%	4.0%
Consumer Goods	0.4%	-0.3%	0.4%	2.0%	-1.4%	-0.2%
High-Tech Equipment	-0.1%	4.4%	-0.4%	16.3%	15.9%	13.8%
Total Ex. High-Tech Equipment	0.1%	-0.5%	0.6%	0.8%	-0.2%	0.6%
Cap Utilization (Total)	77.4	77.4	77.8	3-mo Average	6-mo Average	12-mo Average
				77.5	77.5	77.4
Manufacturing	76.8	76.7	76.8	76.8	76.8	76.5

Source: Federal Reserve Board