

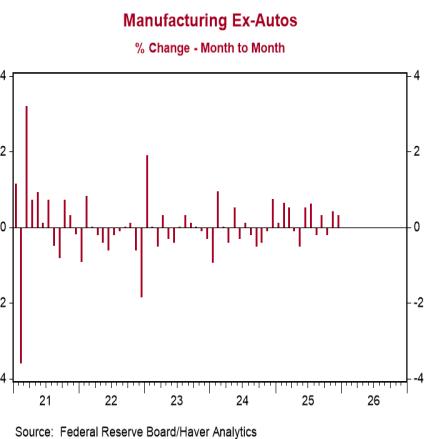
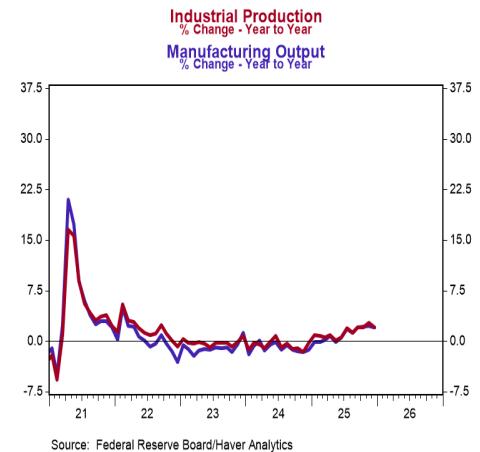
Dec Industrial Production / Capacity Utilization

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- Industrial production increased 0.4% in December (+0.5% including revisions to prior months), easily beating the consensus expected gain of 0.1%. Utilities output rose 2.6% in December, while mining declined 0.7%.
- Manufacturing, which excludes mining/utilities, increased 0.2% (+0.5% including revisions to prior months). Auto production declined 1.1%, while non-auto manufacturing rose 0.3%. Auto production is down 2.8% in the past year, while non-auto manufacturing is up 2.4%.
- The production of high-tech equipment rose 0.7% in December and is up 10.9% versus a year ago.
- Overall capacity utilization increased to 76.3% in December from 76.1% in November. Manufacturing capacity utilization remained unchanged at to 75.6% in December.

Implications: Industrial production ended 2025 on a healthy note, rising for a second month in a row and easily beating consensus expectations. Both overall industrial production and manufacturing output grew 2.0% in the past year despite huge shifts in trade policy and tariff uncertainty. Looking at the details for December, the manufacturing sector posted a gain of 0.2%, and when including positive revisions to prior months rose 0.5%. The volatile auto sector continued to be a source of weakness, with activity declining 1.1% in December. However, manufacturing ex-autos (which we think of as a “core” version of industrial production) posted a gain of 0.3%. In the past year, auto production (which is also highly sensitive to President Trump's tariff policy) is down 2.8% while “core” manufacturing is up 2.4%. Meanwhile the typical bright spots in the “core” measure were present in today's report 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, increased 0.7% in December. High-tech manufacturing is up 10.9% in the past year, the fastest pace of any major category.

Meanwhile, the manufacturing of business equipment isn't far behind, up a strong 10.0% in the past year, signaling reindustrialization in the US outside of just the high-tech industries mentioned above. Utilities output (which is volatile and largely dependent on weather), was also a tailwind in December, rising 2.6%. Finally, the mining sector was a drag on growth in December, declining 0.7%. Oil and gas production, the drilling of new wells, and the extraction of other metals and minerals all fell in December. In other recent manufacturing news, the Empire State Index – a measure of factory sentiment in the New York region – rose to +7.7 in January from -3.7 in December. Meanwhile, its counterpart the Philadelphia Fed index jumped unexpectedly to +12.6 in January from -8.8 in December. On the labor front, initial jobless claims fell 9,000 last week to 198,000 while continuing claims declined 19,000 to 1.884 million. These figures suggest job growth continues. We also got trade data recently, with import prices up 0.1% and export prices up 3.3% in the twelve months ending in November. Finally on the housing front, the NAHB Index (a measure of homebuilder sentiment) fell to 37 in January from 39 in December. Keep in mind a reading below 50 signals a greater number of builders view conditions as poor versus good, now the twenty first consecutive month that has been the case.



Industrial Production Capacity Utilization All Data Seasonally Adjusted	Dec-25	Nov-25	Oct-25	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.4%	0.4%	-0.3%	2.0%	1.6%	2.0%
Manufacturing	0.2%	0.3%	-0.6%	-0.4%	1.0%	2.0%
Motor Vehicles and Parts	-1.1%	-0.3%	-5.9%	-25.8%	-14.5%	-2.8%
Ex Motor Vehicles and Parts	0.3%	0.4%	-0.2%	2.1%	2.5%	2.4%
Mining	-0.7%	1.7%	-0.7%	1.7%	0.8%	1.8%
Utilities	2.6%	-0.3%	2.1%	19.1%	5.9%	2.3%
Business Equipment	0.7%	0.4%	-0.4%	3.0%	5.4%	10.0%
Consumer Goods	0.7%	0.5%	-0.6%	2.5%	0.8%	0.6%
High-Tech Equipment	0.7%	0.5%	2.3%	15.0%	10.1%	10.9%
Total Ex. High-Tech Equipment	0.4%	0.4%	-0.3%	2.0%	1.6%	1.8%
Cap Utilization (Total)	76.3	76.1	75.8	3-mo Average	6-mo Average	12-mo Average
Manufacturing	75.6	75.6	75.4	76.1	76.1	76.1
				75.5	75.7	75.6

Source: Federal Reserve Board