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January Industrial Production / Capacity Utilization

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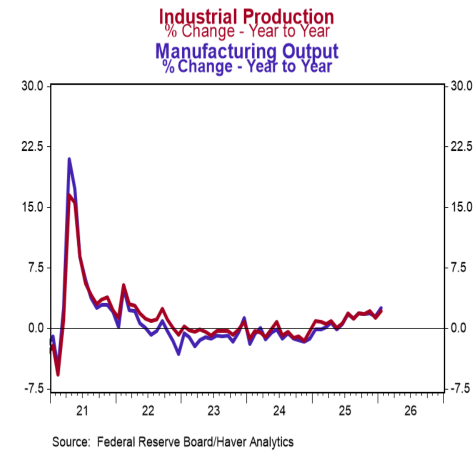
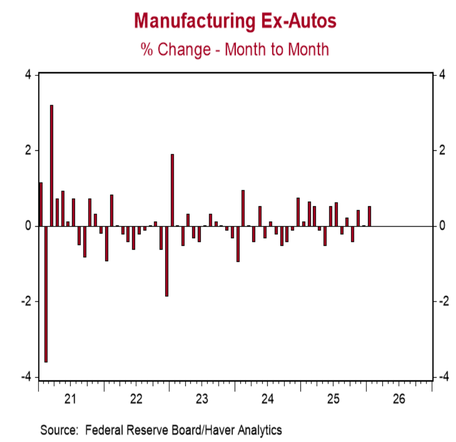
- Industrial production increased 0.7% in January (+0.0% including revisions to prior months), beating the consensus expected gain of 0.4%. Utilities output rose 2.1% in January, while mining declined 0.2%.
- Manufacturing, which excludes mining/utilities, increased 0.6% (+0.0% including revisions to prior months). Auto production jumped 1.4%, while non-auto manufacturing rose 0.5%. Auto production is up 5.6% in the past year, while non-auto manufacturing is up 2.2%.
- The production of high-tech equipment rose 1.9% in January and is up 8.9% versus a year ago.
- Overall capacity utilization increased to 76.2% in January from 75.7% in December. Manufacturing capacity utilization rose to 75.6% in January from 75.2%.





Implications: Industrial production started 2026 on a healthy note, posting the largest monthly gain in nearly a year and beating consensus expectations. More broadly, industrial production is up 2.2% in the past year despite huge shifts in trade policy and tariff uncertainty that coincided with the Trump Administration taking office. Meanwhile, the manufacturing sector is up an even stronger 2.5% in the past year. While these numbers may seem modest, they represent the fastest 12-month growth rates for those series since 2022 during the COVID reopening. Digging into the details for January, manufacturing was the biggest source of strength, rising 0.6%. The volatile auto sector contributed to the gain, with activity jumping 1.4% in January. Manufacturing ex-autos (which we think of as a "core" version of industrial production) also posted a gain of 0.5%. 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 1.9% in January. High-tech manufacturing is up a strong 8.9% in the past year and has typically posted the fastest 12-month growth rate of any category. However, the manufacturing of business equipment overtook it in January, up 9.4% 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 January, rising 2.1%. Finally, the mining sector was a minor drag on growth in January, declining 0.2%. Declines in oil and gas production and the drilling of new wells more than offset a gain in the extraction of other metals and minerals. In other recent manufacturing news, the Empire State Index – a measure of factory sentiment in the New York region – declined slightly to +7.1 in February from +7.7 in January.

Industrial Production Capacity Utilization *All Data Seasonally Adjusted*	**Jan-26**	**Dec-25**	**Nov-25**	**3-mo % Ch *annualized***	**6-mo % Ch. *annualized***	**Yr to Yr *% Change***
Industrial Production	**0.7%**	0.2%	0.1%	4.0%	0.8%	2.2%
Manufacturing	**0.6%**	0.0%	0.3%	3.8%	0.4%	2.5%
Motor Vehicles and Parts	**1.4%**	0.0%	-0.7%	2.8%	-9.1%	5.6%
Ex Motor Vehicles and Parts	**0.5%**	0.0%	0.4%	3.8%	1.0%	2.2%
Mining	**-0.2%**	-0.9%	0.9%	-0.7%	-2.0%	2.5%
Utilities	**2.1%**	3.0%	-1.6%	14.6%	7.2%	1.1%
Business Equipment	**0.9%**	0.8%	0.5%	9.7%	4.7%	9.4%
Consumer Goods	**0.7%**	0.8%	0.0%	6.3%	0.0%	1.3%
High-Tech Equipment	**1.9%**	0.2%	0.9%	12.6%	6.9%	8.9%
Total Ex. High-Tech Equipment	**0.7%**	0.3%	0.1%	4.5%	0.8%	2.1%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	**76.2**	75.7	75.6	75.8	75.9	76.0
Manufacturing	**75.6**	75.2	75.3	75.4	75.5	75.6

Source: Federal Reserve Board