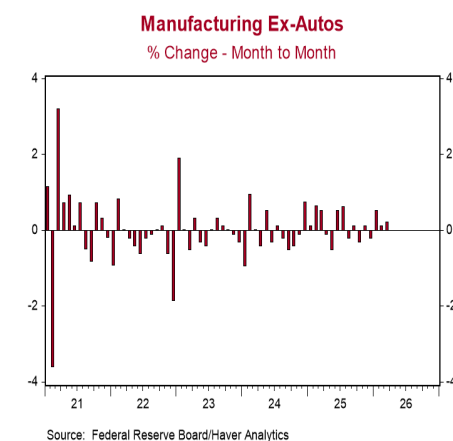
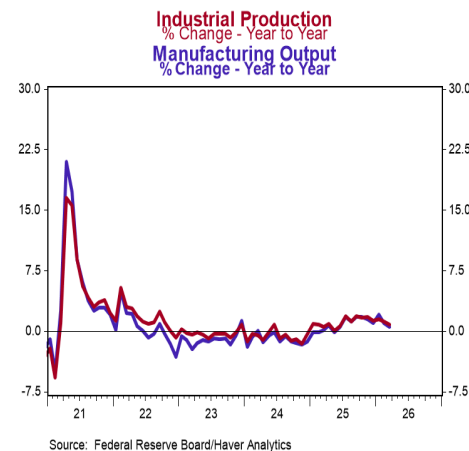


March Industrial Production / Capacity Utilization

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- Industrial production declined 0.5% in March (-0.8% including revisions to prior months), widely lagging a consensus expected gain of 0.1%. Utilities output dropped 2.3% in March, while mining fell 1.2%.
- Manufacturing, which excludes mining/utilities, declined 0.1% (-0.3% including revisions to prior months). Auto production fell 3.8%, while non-auto manufacturing rose 0.2%. Auto production is down 3.4% in the past year, while non-auto manufacturing is up 0.8%.
- The production of high-tech equipment rose 0.7% in March and is up 6.8% versus a year ago.
- Overall capacity utilization fell to 75.7% in March from 76.1% in February. Manufacturing capacity utilization declined to 75.3% in March from 75.5%.



Implications: Industrial production posted the first decline in four months in March as uncertainty surrounding the Iran War led to broad-based declines in activity. However, the details were not nearly as bad as the headline. Overall manufacturing output slipped 0.1% in March but the volatile auto sector was entirely to blame, dropping 3.8%. Meanwhile, manufacturing ex-autos (which we think of as a “core” version of industrial production) actually rose 0.2%. 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 March. High-tech manufacturing is up a strong 6.8% in the past year, the fastest 12-month growth rate of any major category. The mining sector was also a source of weakness in March, falling 1.2%. Declines in oil and gas production, the drilling of new wells, and the extraction of other metals and minerals all contributed. Given the recent surge in oil prices, we expect a strong rebound in this category in the months ahead as US energy companies boost production in response. Finally, utilities output (which is volatile and largely dependent on weather) declined 2.3% in March. In other news this morning, initial jobless claims fell 11,000 last week to 207,000, while continuing claims rose 31,000 to 1.818 million, suggesting job growth continues, but at a modest pace. On the manufacturing front, the Empire State Index – a measure of factory sentiment in the New York region – rebounded to +11.0 in April from -0.2 in March, likely weather related volatility. Meanwhile, the NAHB index, a measure of homebuilding sentiment, declined to 34 in April. Keep in mind readings below 50 signal a greater number of builders view conditions as poor versus good, now the 24th consecutive month that has been the case. Finally, import prices rose 0.8% in March while export prices rose 1.6%. In the past year, import prices are up 2.1%, while export prices have risen 5.6%.

Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Mar-26	Feb-26	Jan-26	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	-0.5%	0.7%	0.0%	0.8%	0.2%	0.8%
Manufacturing	-0.1%	0.4%	0.6%	3.4%	0.0%	0.5%
Motor Vehicles and Parts	-3.8%	2.6%	2.4%	4.4%	-10.4%	-3.4%
Ex Motor Vehicles and Parts	0.2%	0.1%	0.5%	3.4%	0.8%	0.8%
Mining	-1.2%	2.1%	-0.2%	2.7%	-1.6%	-0.2%
Utilities	-2.3%	1.8%	-3.4%	-14.8%	4.7%	3.1%
Business Equipment	-0.3%	0.4%	0.9%	4.3%	3.2%	4.6%
Consumer Goods	-0.9%	0.8%	-1.0%	-4.4%	-2.2%	-1.3%
High-Tech Equipment	0.7%	-0.9%	2.1%	7.8%	10.4%	6.8%
Total Ex. High-Tech Equipment	-0.6%	0.8%	-0.1%	0.4%	0.0%	0.6%
Cap Utilization (Total)	75.7	76.1	75.7	3-mo Average 75.8	6-mo Average 75.7	12-mo Average 75.9
Manufacturing	75.3	75.5	75.3	75.4	75.2	75.5

Source: Federal Reserve Board