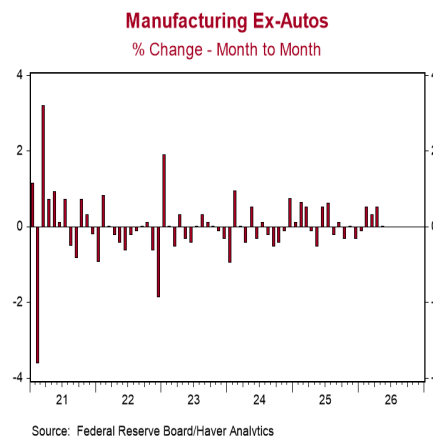
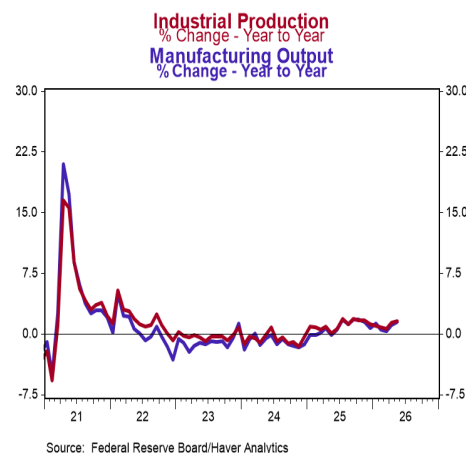


May Industrial Production / Capacity Utilization

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- Industrial production increased 0.1% in May, lagging the consensus expected gain of 0.3%. Utilities output declined 0.4% in May, while mining jumped 1.3%.
- Manufacturing, which excludes mining/utilities, was unchanged in May. Auto production increased 1.2%, while non-auto manufacturing was unchanged. Auto production is down 1.7% in the past year, while non-auto manufacturing is up 1.7%.
- The production of high-tech equipment rose 1.8% in May and is up 12.6% versus a year ago.
- Overall capacity utilization ticked up to 76.2% in May from 76.1% in April. Manufacturing capacity utilization remained unchanged at 75.7% in May.



Implications: Industrial production slowed from its rapid pace in April, posting a modest 0.1% gain in May. The largest positive contribution came from a 1.3% jump in the mining sector, where gains were broad-based across oil and gas extraction, drilling activity, and other mineral extraction. One month does not make a trend, but the increase is an encouraging sign that US energy companies may finally be ramping up output as supply disruptions continued in the Middle East. Meanwhile, the manufacturing sector stalled for the first time this year despite a 1.2% increase in the volatile auto sector. Manufacturing excluding autos (which we think of as a “core” version of industrial production) was unchanged in May, even though the typical bright spots in the “core” measure were present. 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 1.8% in May with previous months’ activity revised higher. High-tech manufacturing is up 12.6% in the past year and up at an even faster 19.8% annualized rate in the past six months, the fastest growth rates for any major category. Meanwhile, manufacturing of business equipment rose 0.6% in May and is up 5.7% in the past year, signaling a broader reindustrialization. Weakness in core production was concentrated in nondurable manufacturing, with output declining in chemicals, petroleum and coal products, plastics and rubber products, and textiles, suggesting that higher energy costs (which are key inputs for these industries) may be weighing on production. Given the recent agreement with Iran and drop in oil prices, production in these industries should rebound in the months ahead. Finally, utilities output (which is volatile and largely dependent on weather from month to month) retreated 0.4% in May. However, if we look at the broader picture this series has been on an upward trend since 2023, following nearly twenty years of stagnation, as power hungry data centers have boosted demand for US power generation. In other news this morning, the Empire State Index – a measure of factory sentiment in the New York region – declined to +5.7 in June from +19.6 in May.

Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	May-26	Apr-26	Mar-26	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.1%	0.9%	-0.3%	2.8%	3.2%	1.6%
Manufacturing	0.0%	0.7%	0.2%	4.2%	2.9%	1.5%
Motor Vehicles and Parts	1.2%	3.2%	-2.1%	9.4%	16.8%	-1.7%
Ex Motor Vehicles and Parts	0.0%	0.5%	0.3%	3.4%	1.9%	1.7%
Mining	1.3%	0.2%	-1.9%	-1.3%	3.0%	2.0%
Utilities	-0.4%	2.3%	-2.0%	-0.7%	5.0%	3.1%
Business Equipment	0.6%	1.8%	0.0%	9.9%	9.3%	5.7%
Consumer Goods	-0.5%	1.2%	-0.9%	-0.8%	1.2%	-0.6%
High-Tech Equipment	1.8%	2.2%	1.3%	23.3%	19.8%	12.6%
Total Ex. High-Tech Equipment	0.1%	0.8%	-0.3%	2.4%	2.8%	1.4%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	76.2	76.1	75.5	75.9	75.8	75.9
Manufacturing	75.7	75.7	75.2	75.5	75.2	75.4

Source: Federal Reserve Board