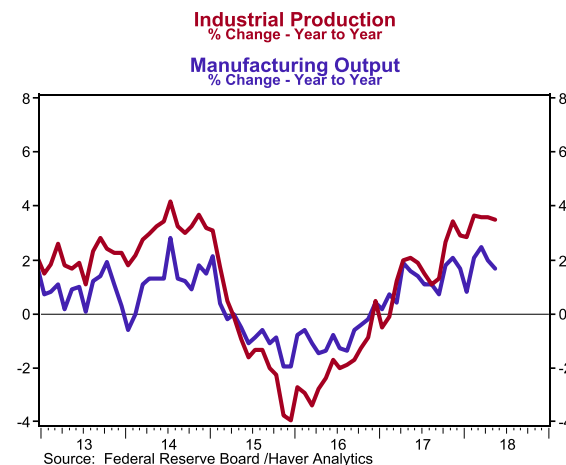


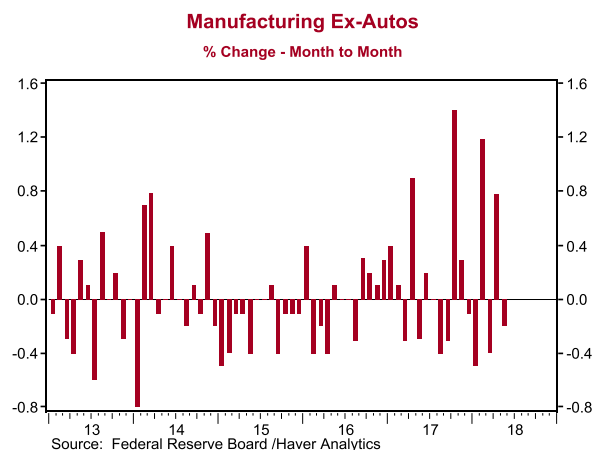
May Industrial Production / Capacity Utilization

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- Industrial production declined 0.1% in May (unchanged including revisions to prior months). The consensus expected a gain of 0.2%. Mining output increased 1.8% in May, while utilities rose 1.0%.
- Manufacturing, which excludes mining/utilities, fell 0.7% in May (including revisions to prior months it dropped 0.6%). Auto production declined 6.5% while non-auto manufacturing fell 0.2%. Auto production is down 2.3% versus a year ago while non-auto manufacturing is up 2.0%.
- The production of high-tech equipment rose 0.2% in May and is up 6.3% versus a year ago.
- Overall capacity utilization fell to 77.9% in May from 78.1% in April. Manufacturing capacity utilization declined to 75.3% in May from 75.9% in April.



Implications: After hitting the highest level on record in April, industrial production slipped 0.1% in May, primarily due to a major fire at a parts supplier in central Michigan that does business with many automakers around the country. Due to the disruption, auto production fell 6.5% for the month, the largest single-month decline since 2011. But excluding the drop in autos, industrial production increased 0.3% in May, a perfectly respectable number. The worst news in today’s report was that manufacturing excluding the auto sector, what we call “core” production, declined 0.2% in May. That said, it’s not unusual for that number to bounce up and down from month to month while the trend moves higher. For example, the past year has seen core production rise 2.0% despite seven of the twelve months showing declines. The best news in May came from mining, which rose 1.8%, the fourth consecutive monthly gain, on the back of healthy increases in oil and gas extraction. In the past year, mining is up 12.5%. And the rig count has continued to rise in recent weeks, suggesting gains in mining production will continue in the months ahead. Meanwhile, utilities output remained strong, rising 1.0%, as the warmest May on record drove up demand for air conditioning. In other manufacturing news this morning, the Empire State index, a measure of factory sentiment in New York, surged to 25.0 in June from 20.1 in May, signaling growing optimism in the region.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	May-18	Apr-18	Mar-18	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	-0.1%	0.9%	0.5%	5.4%	3.8%	3.5%
Manufacturing	-0.7%	0.6%	-0.1%	-0.8%	1.2%	1.7%
Motor Vehicles and Parts	-6.5%	-2.1%	2.8%	-21.6%	-3.8%	-2.3%
Ex Motor Vehicles and Parts	-0.2%	0.8%	-0.4%	0.8%	1.6%	2.0%
Mining	1.8%	1.0%	1.4%	17.8%	14.9%	12.5%
Utilities	1.0%	3.2%	4.2%	39.3%	7.1%	4.0%
Business Equipment	-1.2%	1.1%	0.1%	0.0%	-0.4%	1.0%
Consumer Goods	-1.0%	0.9%	0.5%	1.5%	1.9%	1.5%
High-Tech Equipment	0.2%	1.8%	0.6%	11.0%	6.1%	6.3%
Total Ex. High-Tech Equipment	-0.1%	0.9%	0.6%	5.4%	3.9%	3.4%
Cap Utilization (Total)	77.9	78.1	77.5	3-mo Average	6-mo Average	12-mo Average
Manufacturing	75.3	75.9	75.5	77.8	77.5	76.9
				75.6	75.4	75.1