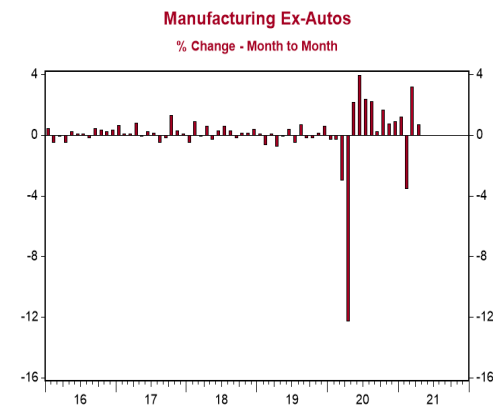
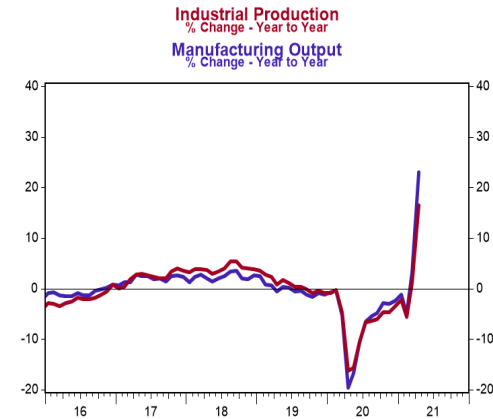


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April Industrial Production / Capacity Utilization

- Industrial production increased 0.7% in April, slightly below the consensus expected gain of 0.9%. Utilities output rose 2.6% in April, while mining rose 0.7%.
- Manufacturing, which excludes mining/utilities, increased 0.4% in April (+0.3% including revisions to prior months). Auto production fell 4.3%, while non-auto manufacturing rose 0.7%. Auto production is up 438.4% versus a year ago, while non-auto manufacturing is up 16.5%.
- The production of high-tech equipment rose 0.4% in April and is up 10.9% versus a year ago.
- Overall capacity utilization increased to 74.9% in April from 74.4% in March. Manufacturing capacity utilization rose to 74.1% in April from 73.8%.

Implications: Industrial production continued to recover in April, rising for the second month in a row as many factories that were damaged by February’s severe winter weather returned to operation. But, while good news, the production side of the economy still has a way to go. Yes, both industrial production and manufacturing activity are now up substantially from a year ago, but this is just the result of the big declines we saw last Spring in the early days of the pandemic rolling into the year-ago comparison. Looking at the overall progress of the recovery versus pre-pandemic levels shows a different story. Industrial production is not only down 2.7% from February 2020, but is still down 0.5% from January 2021 levels before the winter storm hit in February, as well. That means there continues to be a wide gulf between the production and consumption sides of the US economy, which creates conditions for rising inflation. Meanwhile, ongoing issues with supply chains were also visible in today’s report, with the one source of weakness coming from auto production, where output fell 4.3%. According to the Federal Reserve, this is largely the result of the ongoing semiconductor chip shortage that is keeping finished vehicles from rolling off the assembly line. Notably, manufacturing activity excluding the auto sector rose 0.7% in April and is now back above its pre-winter storm high in January. Mining activity also continued to recover in April, rising 0.7%, and is likely to be an ongoing tailwind in the months ahead. Oil prices have now fully recovered to where they were pre-pandemic, and with upward pressure on commodity prices likely to continue as the US begins to reopen, extraction activity has begun to rebound. This is reflected in the number of active oil and gas rigs in operation, which have nearly doubled from the bottom in August of 2020, but still need to double again to get back to pre-pandemic levels. Look for a continued upward trend in industrial production in the months ahead as reopening continues, supply chain issues are ironed out, and factories continue to ramp up production.



Source: Federal Reserve Board/Haver Analytics

Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Apr-21	Mar-21	Feb-21	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.7%	2.4%	-3.5%	-1.9%	4.7%	16.4%
Manufacturing	0.4%	3.1%	-4.0%	-2.3%	4.6%	23.0%
Motor Vehicles and Parts	-4.3%	3.8%	-9.9%	-35.7%	-14.8%	438.4%
Ex Motor Vehicles and Parts	0.7%	3.1%	-3.5%	0.8%	6.1%	16.5%
Mining	0.7%	8.9%	-9.5%	-3.3%	11.9%	-2.4%
Utilities	2.6%	-9.0%	7.8%	2.8%	-2.7%	1.9%
Business Equipment	0.3%	3.6%	-2.6%	5.1%	11.4%	40.4%
Consumer Goods	0.3%	0.4%	-1.6%	-3.7%	2.5%	20.6%
High-Tech Equipment	0.4%	2.2%	-0.2%	9.9%	6.2%	10.9%
Total Ex. High-Tech Equipment	0.7%	2.5%	-3.6%	-2.3%	4.7%	16.6%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	74.9	74.4	72.7	74.0	74.3	72.5
Manufacturing	74.1	73.8	71.6	73.2	73.5	71.3

Source: Federal Reserve Board