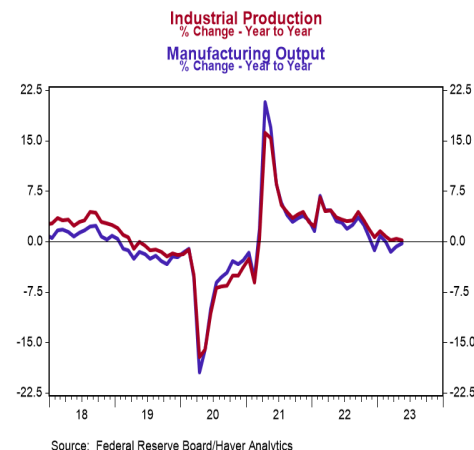


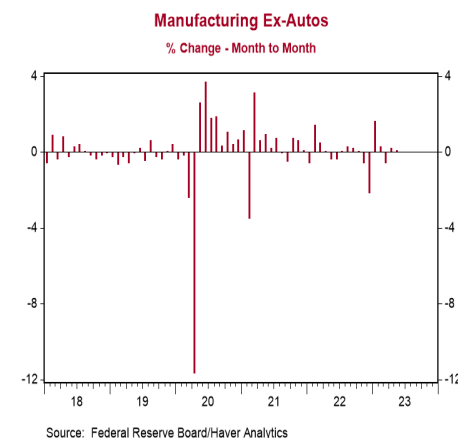
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May Industrial Production / Capacity Utilization

- Industrial production declined 0.2% in May (0.0% including revisions to prior months) versus a consensus expected gain of 0.1%. Utilities output fell 1.8% in May, while mining declined 0.4%.
- Manufacturing, which excludes mining/utilities, increased 0.1% in May. Auto production rose 0.2%, while non-auto manufacturing increased 0.1%. Auto production is up 10.0% in the past year, while non-auto manufacturing is down 1.1%.
- The production of high-tech equipment declined 0.5% in May but is up 2.1% versus a year ago.
- Overall capacity utilization fell to 79.6% in May from 79.8% in April. Manufacturing capacity utilization remained unchanged at 78.4% in May.



Implications: Industrial production came in weaker than expected in May, posting the first decline of 2023. The biggest source of weakness in May came from utilities which fell 1.8%, but which are volatile and largely dependent on weather. Meanwhile, the mining sector was another negative contributor, posting a decline of 0.4%. A slower pace of mineral extraction, as well as less drilling of new oil wells, more than offset gains in oil and gas production. Given that the mining index remains below its pre-pandemic highs, we expect this series to continue to be a lifeline for industrial production in the near term. In positive news this morning, the manufacturing sector eked out a gain of 0.1%. Looking at the details, both auto and non-auto manufacturing posted gains, rising 0.2% and 0.1%, respectively. Given the trend of consumers shifting their preferences back toward services and away from goods, we expect manufacturing activity to weaken in future months. We are still forecasting a recession ahead with the goods sector leading the way. In other factory news this morning, the Philadelphia Fed Index, which measures manufacturing sentiment in that region, fell to -13.7 in June from -10.4 in May. We also got the Empire State Index this morning, a measure of New York factory sentiment, which rebounded to +6.6 in June from -31.8 in May.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	May-23	Apr-23	Mar-23	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	-0.2%	0.5%	0.1%	2.0%	-0.2%	0.2%
Manufacturing	0.1%	0.9%	-0.7%	1.2%	0.2%	-0.3%
Motor Vehicles and Parts	0.2%	9.8%	-1.8%	36.0%	17.5%	10.0%
Ex Motor Vehicles and Parts	0.1%	0.2%	-0.6%	-1.2%	-1.2%	-1.1%
Mining	-0.4%	0.3%	0.4%	1.0%	2.2%	5.0%
Utilities	-1.8%	-1.9%	6.3%	9.9%	-5.4%	-3.8%
Business Equipment	-0.1%	1.3%	-1.2%	-0.4%	-2.4%	0.3%
Consumer Goods	-0.2%	1.0%	0.3%	4.4%	0.4%	0.1%
High-Tech Equipment	-0.5%	1.9%	0.4%	7.1%	-1.4%	2.1%
Total Ex. High-Tech Equipment	-0.2%	0.5%	0.1%	1.6%	-0.2%	0.1%
Cap Utilization (Total)	79.6	79.8	79.5	3-mo Average	6-mo Average	12-mo Average
Manufacturing	78.4	78.4	77.8	79.6	79.5	80.0
				78.2	78.1	78.7

Source: Federal Reserve Board