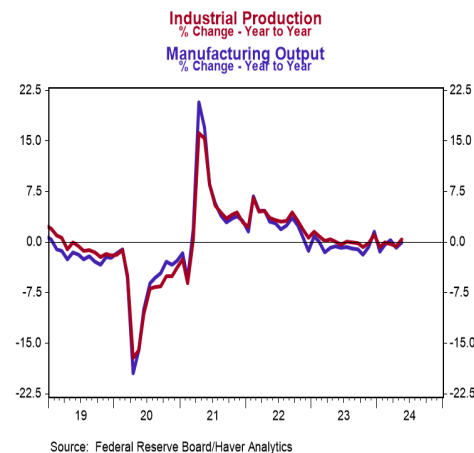


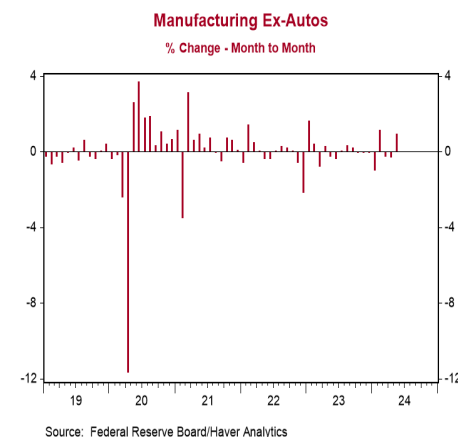
## May Industrial Production / Capacity Utilization

Bryce Gill – Economist  
 Brian S. Wesbury – Chief Economist  
 Robert Stein, CFA – Dep. Chief Economist

- Industrial production increased 0.9% in May (+0.5% including revisions to prior months), easily beating the consensus expected gain of 0.3%. Utilities output rose 1.7% in May, while mining increased 0.3%.
- Manufacturing, which excludes mining/utilities, jumped 0.9% in May (+0.4% including revisions to prior months). Auto production increased 0.6%, while non-auto manufacturing rose 0.9%. Auto production is down 0.5% in the past year, while non-auto manufacturing has increased 0.2%.
- The production of high-tech equipment increased 0.1% in May and is up 8.2% versus a year ago.
- Overall capacity utilization increased to 78.7% in May from 78.2% in April. Manufacturing capacity utilization rose to 77.1% in May from 76.6%.



**Implications:** Industrial production surprised to the upside in May, due to gains in every major category, matching the largest overall monthly gain since early 2023. Manufacturing was the biggest positive contributor, rising 0.9%. Looking at the details, auto production rose 0.6% while non-auto manufacturing (which we think of as a “core” version of industrial production) posted a gain of 0.9% in May. One bright spot recently in manufacturing has been the production of high-tech equipment, which is up 8.2% in the past year, the strongest growth of any major category, likely the result of investment in AI as well as the reshoring of semiconductor production. That said, activity here has begun to slow recently, with May posting a gain of just 0.1%. This signals that the initial burst of activity due to the CHIPS Act may finally be wearing off. The mining sector was also a tailwind in May, with activity increasing 0.3%. Gains in the production of oil and gas more than offset a slowdown in the drilling of new wells. Finally, the utilities sector (which is volatile and largely dependent on weather) was also a source of strength in May, rising 1.7%. In other news this morning, the Empire State Index, a measure of New York factory sentiment, rose to a still weak reading of -6.0 in June from -15.6 in May.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	May-24	Apr-24	Mar-24	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
<b>Industrial Production</b>	<b>0.9%</b>	0.0%	-0.1%	2.8%	0.8%	0.4%
<b>Manufacturing</b>	<b>0.9%</b>	-0.4%	-0.1%	1.2%	1.0%	0.0%
<b>Motor Vehicles and Parts</b>	<b>0.6%</b>	-1.9%	2.7%	5.5%	6.7%	-0.5%
<b>Ex Motor Vehicles and Parts</b>	<b>0.9%</b>	-0.3%	-0.3%	1.2%	0.6%	0.2%
<b>Mining</b>	<b>0.3%</b>	-0.7%	-0.4%	-3.3%	-1.8%	-0.4%
<b>Utilities</b>	<b>1.7%</b>	4.0%	-0.2%	24.3%	3.0%	4.0%
<b>Business Equipment</b>	<b>0.2%</b>	-0.3%	-0.2%	-1.2%	-0.8%	-0.4%
<b>Consumer Goods</b>	<b>1.3%</b>	0.1%	-0.3%	4.4%	0.8%	0.0%
<b>High-Tech Equipment</b>	<b>0.1%</b>	0.9%	0.7%	7.1%	2.8%	8.2%
<b>Total Ex. High-Tech Equipment</b>	<b>0.9%</b>	0.0%	-0.2%	2.8%	0.8%	0.3%
				3-mo Average	6-mo Average	12-mo Average
<b>Cap Utilization (Total)</b>	<b>78.7</b>	78.2	78.3	78.4	78.4	78.8
<b>Manufacturing</b>	<b>77.1</b>	76.6	77.0	76.9	76.9	77.2

Source: Federal Reserve Board