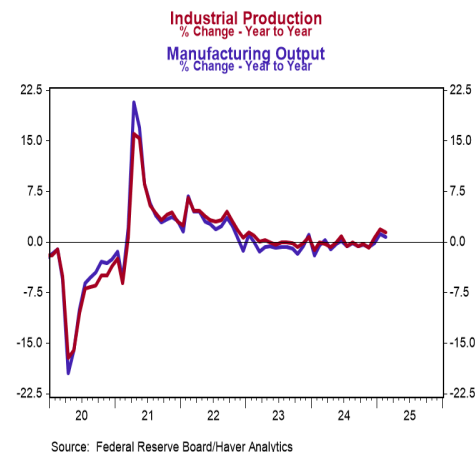


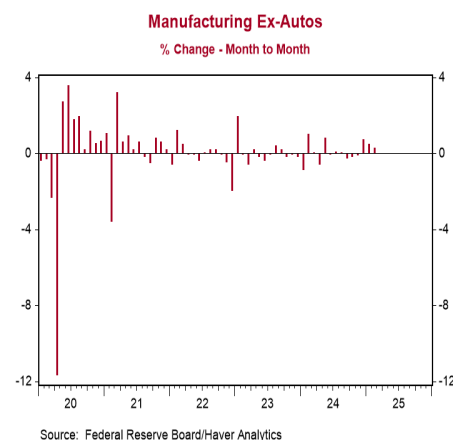
## February Industrial Production / Capacity Utilization

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- Industrial production increased 0.7% in February, easily beating the consensus expected gain of 0.2%. Utilities output fell 2.5% in February, while mining rose 2.8%.
- Manufacturing, which excludes mining/utilities, increased 0.9% in February (+1.1% including revisions to prior months). Auto production jumped 8.5%, while non-auto manufacturing rose 0.3%. Auto production is down 4.8% in the past year, while non-auto manufacturing is up 1.1%.
- The production of high-tech equipment increased 1.4% in February and is up 12.7% versus a year ago.
- Overall capacity utilization increased to 78.2% in February from 77.7% in January. Manufacturing capacity utilization rose to 77.0% in February from 76.4%.



**Implications:** Industrial production rose for a third straight month in February, coming in stronger than expected as a recent “Trump Bump” in activity pushed the index to a new record high. Businesses can now look forward to an easier regulatory environment in the next four years, as well as lower tax rates on profits. Yes, manufacturers will now also have to contend with uncertainty surrounding tariffs (whether they are actually put in place or not), and the resulting changes in supply chains. But, in the meantime, even though President Trump started announcing tariffs in February, the manufacturing sector posted a strong gain of 0.9% for the month. Looking at the details, auto production jumped 8.5% for the month. Given the amount of activity that happens in the auto industry across the US southern border, we expect trade negotiations with Mexico to heighten volatility in this sector going forward. Meanwhile, non-auto manufacturing (which we think of as a “core” version of industrial production) increased a healthy 0.3% in February. This “core” measure has also risen three months in a row and is up at a 6.2% annualized rate over that same period, the fastest three-month pace since the COVID re-opening in 2022. Another notable gain in this “core” measure came from the production in high-tech equipment which rose 1.4% in February, likely the result of investment in AI as well as the reshoring of semiconductor production. High-tech manufacturing is up 12.7% in the past year, the fastest pace of any major category. The mining sector was also a source of strength in February, rising 2.8%. A faster pace of oil and gas production, metal and mineral extraction, and drilling for new wells all contributed. Look for an upward trend in activity in this sector in 2025 as the Trump Administration takes a more aggressive stance with permitting. Finally, the one weak spot in today’s report came from the utilities sector (which is volatile and largely dependent on weather) where activity fell 2.5%.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Feb-25	Jan-25	Dec-24	3-mo % Ch <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr % Change
<b>Industrial Production</b>	<b>0.7%</b>	0.3%	1.1%	8.9%	2.3%	1.5%
<b>Manufacturing</b>	<b>0.9%</b>	0.1%	0.5%	5.8%	1.4%	0.7%
<b>Motor Vehicles and Parts</b>	<b>8.5%</b>	-5.3%	-2.5%	0.8%	-5.0%	-4.8%
<b>Ex Motor Vehicles and Parts</b>	<b>0.3%</b>	0.5%	0.7%	6.2%	1.8%	1.1%
<b>Mining</b>	<b>2.8%</b>	-3.2%	1.9%	5.5%	0.3%	0.0%
<b>Utilities</b>	<b>-2.5%</b>	6.2%	4.5%	36.9%	12.2%	8.7%
<b>Business Equipment</b>	<b>1.6%</b>	1.4%	2.3%	23.8%	0.9%	-0.6%
<b>Consumer Goods</b>	<b>0.2%</b>	0.8%	0.8%	7.3%	0.6%	0.7%
<b>High-Tech Equipment</b>	<b>1.4%</b>	3.5%	1.0%	26.2%	12.8%	12.7%
<b>Total Ex. High-Tech Equipment</b>	<b>0.7%</b>	0.2%	1.2%	8.6%	2.0%	1.2%
				3-mo Average	6-mo Average	12-mo Average
<b>Cap Utilization (Total)</b>	<b>78.2</b>	77.7	77.6	77.8	77.5	77.7
<b>Manufacturing</b>	<b>77.0</b>	76.4	76.4	76.6	76.5	76.8

Source: Federal Reserve Board