

Industrial Production Flat in April, With Soft Details

- **Industrial production was flat in April from March, with drops in manufacturing and mining output and an increase for utilities.**
- **Industrial production has been flat over the past couple of years as high interest rates are weighing on the industrial sector.**
- **The capacity utilization rate fell in April from March; the industrial sector is not contributing to U.S. inflation.**
- **Industrial production should pick up in 2025 with lower interest rates.**

Industrial production was flat in April from March, according to the Federal Reserve. Industrial production rose 0.1% in March (revised down from a 0.4% increase) and 0.8% in February (revised up from a 0.4% increase). Manufacturing output fell 0.3% in April, with a 0.6% decline in mining production. Utilities output, which is tied to the weather and can be volatile, rose 2.8% in April.

On a year-ago basis total industrial production was down 0.4% in April, including a 0.5% decline for manufacturing.

The capacity utilization rate fell to 78.4% in April from 78.5% in March. The manufacturing rate fell to 76.9% in April from 77.2% in March. There is spare capacity in the industrial sector, which is restraining goods prices. According to the CPI for April, released yesterday, goods prices were up 0.3% from a year earlier, with core goods prices (excluding food and energy) down 1.2%. U.S. inflation in 2024 is coming from the services side of the economy.

The industrial sector is soft in the spring of 2024. Both overall and manufacturing production have been flat for the last couple of years, after surging in 2021 with the recovery from the pandemic. Output is roughly back at its pre-pandemic level.

High interest rates remain a drag on manufacturing, weighing on purchases of consumer durables, business investment goods, and construction materials. This is by design: by raising interest rates, the Federal Reserve works to restrain interest rate-sensitive industries like manufacturing, reducing inflationary pressures in the economy. Industrial production is likely to remain soft in the near term given still-high interest rates. Expected cuts in the fed funds rate in the second half of 2024 will support a modest rebound in production in 2025.

Output of consumer goods rose a scant 0.1% in April, including a 1.8% drop in autos and parts. Consumer goods output was down 1.5% from a year ago. Business equipment production was down 0.5% in April from March and was down 1.3% from a year earlier. Output of construction materials fell 1.0% in April on a month-ago basis and 0.8% on a year-ago basis.

Gus Faucher
Chief Economist

Stuart Hoffman
Senior Economic Advisor

Kurt Rankin
Senior Economist

Ershang Liang
Economist

PNC Economics
economics@pnc.com

Visit pnc.com/economicreports for more information from PNC Economics.