

Economic Update



June 18, 2024

Strong Industrial Production Growth in May 2024, Total up 0.9% for the Month

- **Industrial Production gained a massive 0.9% in May 2024**
- **Manufacturing output also rose 0.9% in May 2024**
- **Energy production followed price and demand gauges higher, rising 1.2% in May 2024 versus the month prior**
- **Capacity Utilization among manufacturers rebounded to 77.1% in May 2024**

Industrial Production rose by 0.9% in May 2024. This monthly gain follows several months' worth of weak results to open this year, including outright declines in production in January. Manufacturing production bounced back from declines in April with a +0.9% showing in May 2024. Industrial Production growth has been flat to down on a year-over-year basis since mid-2023. Sharp jumps such as the May 2024 results make up for some of the declining production trend but have not yet been able to establish renewed upward momentum.

Industrial Production among manufacturers grew by 0.9% in May 2024. This result follows two consecutive monthly declines in the manufacturing-specific production numbers, and regained positive year-over-year growth at +0.1%. Manufacturing production spent almost the entirety of 2023 in negative territory in year-over-year growth terms, but has experienced volatility both above and below 0% gains throughout the first half of 2024. With recession risks in the U.S. economy having faded and average wage growth now keeping pace with inflation, consumer demand looks set to provide renewed support for industrial production among manufacturers as the second half of the year kicks off.

Topline Capacity Utilization rose to 78.7% in May 2024. This is the strongest reading since November 2023 and is the second sizeable jump posted this year, joining February's similar +0.6 percentage-point gain. Capacity Utilization reached a post-pandemic high of 80.8% in September 2022, but has fallen significantly since as consumers shifted spending from goods to services and supply shortages righted themselves. Either of the "soft landing" or "no landing" scenarios currently dominating economic outlook discussions would support further Capacity Utilization gains in the months to come as newly balanced production capacity is treated to new demand growth based more on economic strength than demand/supply imbalances.

Utilities providers saw the strongest production gains for May 2024 among the three industrial sectors comprising the Federal Reserve's Industrial Production metric (along with Mining and Manufacturing). Power generation and transmission was up by 1.6% for the month, offsetting the continued relative weakness in the Mining sector which saw a gain of +0.3% for the month.

PNC Economics
economics@pnc.com

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

Gus Faucher
Chief Economist

Stuart Hoffman
Senior Economic Advisor

Kurt Rankin
Senior Economist

Ershang Liang
Economist