

Industrial Production Up for a Second Straight Month in June as Manufacturing Improves

- **Industrial production increased for a second straight month in June, with manufacturing output up.**
- **Industrial production has grown modestly over the past few months after falling in 2022 and 2023.**
- **Industrial production should continue to grow slowly in the near term as interest rates fall.**
- **The capacity utilization rate has risen in 2024, but there are no indications of supply problems that would lead to higher inflation.**

Industrial production increased for a second straight month in June, according to the Federal Reserve, rising 0.6% from May. Output was up 0.9% in May, unrevised. After falling slightly from mid-2022 to early 2024, a modest recovery in industrial production appears to be underway.

Manufacturing output increased a solid 0.4% in June after rising 1.0% in May (revised higher from 0.6%). There was a solid increase in production of consumer goods in June, up 1.0%, including a 1.7% gain for automotive products. Mining output rose 0.3% over the month, with a 2.8% increase in utilities output, in part because of unusually hot weather in much of the country.

On a year-ago basis total industrial production was up 1.6% in June, including a solid 1.1% gain for manufacturing. Mining output was down 0.3% year-over-year, with utilities output up 2.8%.

Industrial activity in the U.S. is picking up modestly after a drop in 2022 and 2023. After very strong goods demand in the wake of the pandemic, less buying activity and high interest rates have weighed on output over the past couple of years. But with interest rates down modestly from late 2023, and set to fall further in the near term as the Federal Reserve begins to loosen monetary policy, industrial production should gradually improve through the rest of this year and in 2025.

The capacity utilization rate rose to 78.8% in June from 78.3% in May and a recent low of 77.2% in January. The manufacturing capacity utilization rate rose to 77.9% in June from 77.6% in May and 76.5% in January. This modest increase in capacity utilization has not led to supply problems or greater pricing power. Consumer goods prices in the United States are falling, contributing to a slowing in overall inflation.

PNC Economics
economics@pnc.com

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Gus Faucher
Chief Economist

Stuart Hoffman
Senior Economic Advisor

Kurt Rankin
Senior Economist

Ershang Liang
Economist