

U.S. Data Review

- Industrial production: soft in May, but still-firm trend
- Consumer sentiment: moderate gain in June

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Industrial Production

The industrial production index *fell* 0.1 percent in May, softer than the expected *increase* of 0.2 percent. The drop occurred despite an increase of 1.1 percent in the utility sector, where changes are nearly always a function of the weather rather than economic fundamentals. The mining sector also performed well with an increase of 1.8 percent. Mining activity rose for the fourth consecutive month and for the eighth time in the past nine months. May marked the second strongest month of the current expansion for mining activity, trailing only the reading in December 2014 by 0.8 percent.

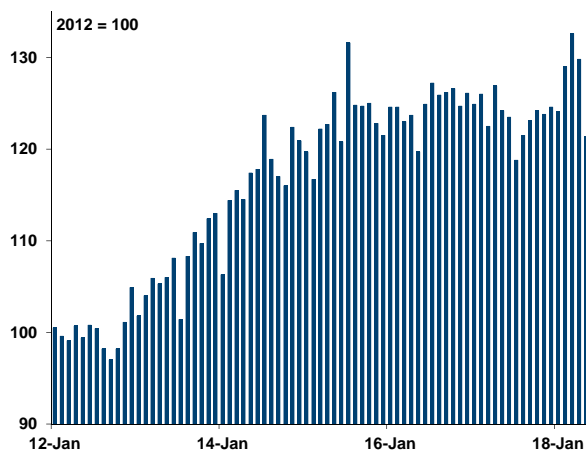
The softness in May was concentrated in the manufacturing sector, where output fell 0.7 percent. The results were clearly weak, but examining the detail suggests that much of the drop reflected random volatility rather than underlying softness. Much of the decline occurred in the auto sector (off 6.5 percent), but the drop followed three strong months where production ran well above the underlying trend; a correction seemed in order (chart, left). Manufacturing activity also fell outside the auto industry (off 0.2 percent), but the decline followed several strong months before May. Indeed, the underlying trend in manufacturing ex-autos remained distinctly upward (chart, right).

Thus, the report provided a surprise in the manufacturing sector, but the new figures, in our view, do not raise concern about faltering activity.

Consumer Sentiment

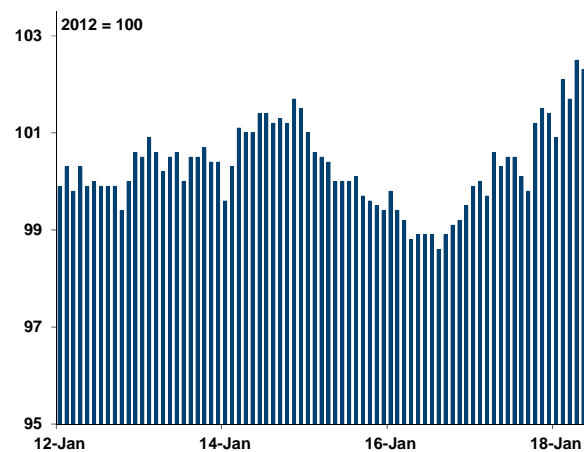
The Reuters/University of Michigan index of consumer sentiment rose 1.3 points in early June, exceeding the expected increase of one-half point. The measure had declined in the prior two months from the cyclical high in March, although it remained high by current and historical standards. The rebound in June offset only a portion of the two declines (approximately 40 percent), but the index was still firm, with only three readings in the current expansion showing slightly firmer results and only one observation in the prior expansion firmer than the current one. Thus, household moods are bright.

Industrial Production: Auto Manufacturing



Source: Federal Reserve Board via Haver Analytics

Industrial Production: Manufacturing Ex. Autos



Source: Federal Reserve Board via Haver Analytics

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