

U.S. Data Review

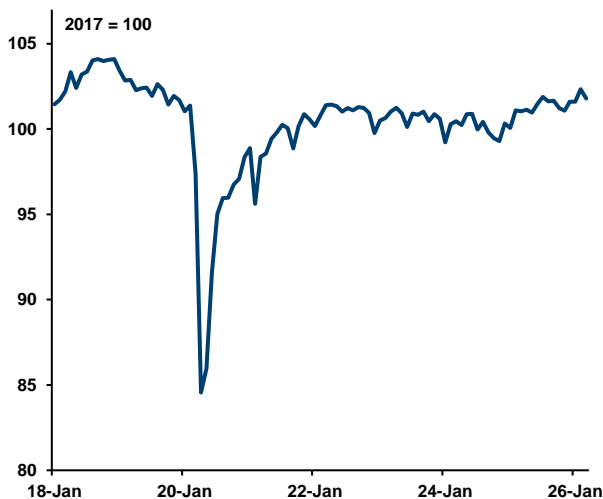
- Industrial production: broad-based decline across major components

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Industrial Production

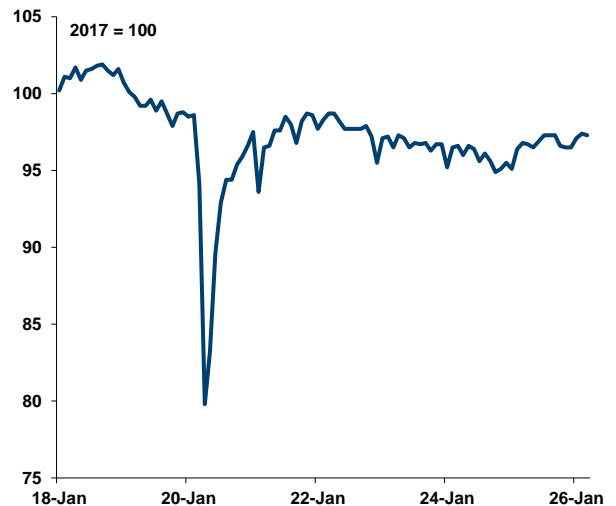
- Following an upwardly revised increase of 0.7 percent in the prior month, the Federal Reserve Board's industrial production metric surprised to the downside in March with a decrease of 0.5 percent, the largest one-month decline since September 2024 (+0.7 percent year-over-year). The result was notably softer than the expectation of an increase of 0.1 percent from the Bloomberg economist survey and halted the ongoing upward tilt seen in the series since early 2025, although much of the weakness reflected a drop of 2.3 percent in utility output (see below). The manufacturing and mining components also eased in the latest month.
- Turning first to the cyclically sensitive factory sector, manufacturing dipped 0.1 percent in March (+0.5 percent year-over-year). Factoring largely into the softening, production in the volatile motor vehicles and parts subcategory fell 3.7 percent, its first decline since November 2025 (-3.4 percent year-over-year). Excluding autos, manufacturing output rose 0.1 percent (+0.5 percent year-over-year). Performances varied across sectors, with 11 of 19 non-auto industries registering increases in production. Notably, production in the aerospace and other miscellaneous transportation component rose 1.0 percent (+6.2 percent year-over-year), underpinned by ongoing recovery in production at Boeing, while that for computers and electronic products rose 0.8 percent (+5.5 percent year-over-year; a reflection, at least in part, of ongoing robust investment in AI infrastructure).

Industrial Production: Total



Source: Federal Reserve Board via Haver Analytics

Industrial Production: Manufacturing



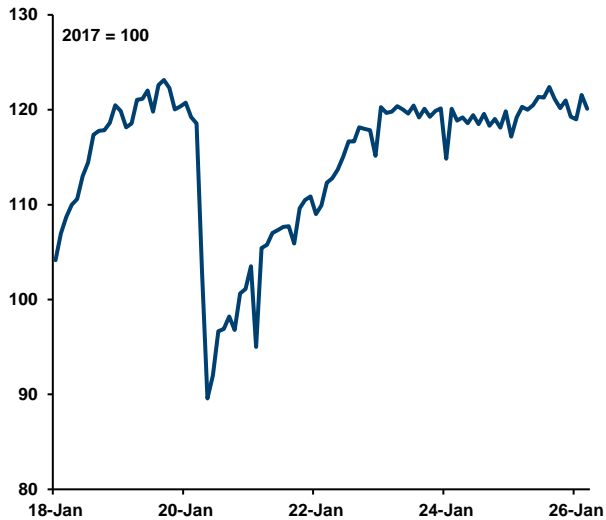
Source: Federal Reserve Board via Haver Analytics

- Mining output, meanwhile, fell 1.2 percent in March, its third decline in the past four months (-0.2 percent year-over-year). While this area had mounted a notable comeback from the COVID-related trough through early 2023, that progress has since stalled at a pace approximately in line with that in the period immediately preceding the onset of the pandemic (current index level of 120.1 versus the 2019 average of 120.7). Even so, the recent closure of the Strait of Hormuz and the attendant jump in oil prices is likely spur additional domestic production of both crude oil and natural gas in the months ahead.

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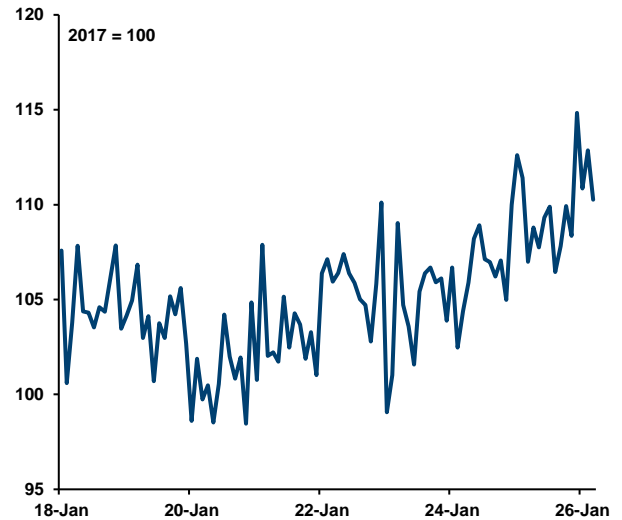
- Concurrently, utility output in March dropped 2.3 percent (+3.1 percent year-over-year), a soft result following an upwardly revised increase of 1.8 percent in the prior month. We would again caution, however, that this component often exhibits marked volatility on a month-to-month basis (range of -3.5 to +6.0 percent in the past six months), with shifts typically reflecting variations in weather rather than underlying economic fundamentals (e.g., warmer-than-average temperatures in March driving down demand for home heating).

Industrial Production: Mining



Source: Federal Reserve Board via Haver Analytics

Industrial Production: Utilities



Source: Federal Reserve Board via Haver Analytics

- All told, industrial production closed the first quarter of 2026 on a soft note, but data on the factory sector have been generally favorable in early 2026. The ISM manufacturing index, for example, has posted expansionary readings in the first three months of 2026 after remaining mired in contraction for much of the past few years. Moreover, updated readings on the Empire State and Philadelphia manufacturing surveys published this week indicate continued improvement in April (+11.2 and +8.6 index points, respectively, to 11.0 and 26.7). With that said, caution is warranted in light of uncertainty generated by the ongoing conflict in the Middle East.