

Utilities Production Pushed Overall Industrial Production Higher to Open 2025; Manufacturing Flat While Mining Gave Back Recent Gains

- **Aggregate Industrial Production rose by 0.5% in January 2025, led by a jump in Utilities**
- **Capacity Utilization rose to a five-month high at 77.8% for January 2025**
- **Industrial Production across manufacturers was down 0.1% in January 2025 versus the month prior, still regaining positive year-over-year growth status**
- **Mining Production and Capacity Utilization both slipped modestly to open the new year**

Industrial Production gained 0.5% in aggregate across Manufacturing, Mining and Utilities categories in January 2025. This gain, however, was driven exclusively by the Utilities component of the index, which rose by a massive 7.2% for the month. Manufacturing Production slipped by 0.1% while Mining fell more sharply – down 1.2% versus December – the industrial segment’s sharpest dip since January 2025 (-4.3%). Capacity Utilization also saw a gain to open the new year, built on similar industrial component performances.

Manufacturing industries have seen some promising data in recent months, with the Institute of Supply Management Manufacturing PMI rising across major current-conditions and forward-looking categories after sitting in contractionary territory for much of the past two years. The Federal Reserve’s Industrial Production report had perhaps shown a glimpse of reflecting the same stability with gains in both November and December to close out the year, but tripped up a bit to break that burgeoning momentum with January 2025’s modest decline (in seasonally adjusted terms). Manufacturing employment does appear to have found a bottom in recent months, however, suggesting that the first half of 2025 could finally see the Fed’s Industrial Production results join a gathering data consensus that manufacturing is turning a corner for the better.

Aerospace equipment, Computer & Electronics Products, and Apparel & Leather products posted notable production gains among manufacturing industries in January 2025. However, the high (and rising) profile Primary Metals and Motor Vehicles & Parts producers fell to offset overall manufacturing Industrial Production for the month. Should tariff threats turn into action in the months to come, the current diminished Capacity Utilization in these industrial segments could see a quick reversal alongside that for worker demand as consumer demand for manufactured goods has already demonstrated renewed strength in recent months. Higher prices for imported goods seems unlikely to dent demand for such products, opening a door for U.S. producers to increase output to meet the demand of increasingly price-conscious consumers.

Industrial Production for Utilities jumped by 7.2% for the month alone in January 2025, with Capacity Utilization for the industry group rising to 75.7% - its strongest result since December 2022 (78.1%). January's Utilities production was influenced by cold weather that was below historical averages across the U.S. in January and surely pushed up heating usage. Both consumer and commercial usage posted strong gains for the month, at +6.1% and +2.7%, respectively. Utilities' Capacity Utilization has been trending down since 2018, however, and so some follow-up strength will be necessary in the coming months to begin considering a turnaround in this segment's contribution to heavy industry growth for the year ahead.

Despite Mining's January 2025 decline in Capacity Utilization – a fall to 89.5% versus 90.6% in December – the industry overall continued a modest rebound to open the new year. Capacity Utilization across the Mining industry had fallen to 88.5% in May 2025 but has generally trended up since then. The Bureau of Labor Statistics' job growth results for Mining (& Logging) in the U.S. has fallen sharply over the past two months, so the emergence of a sustainable upward trend in the industry's Industrial Production offers some hope for job creation and retention.

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