

U.S. Data Review

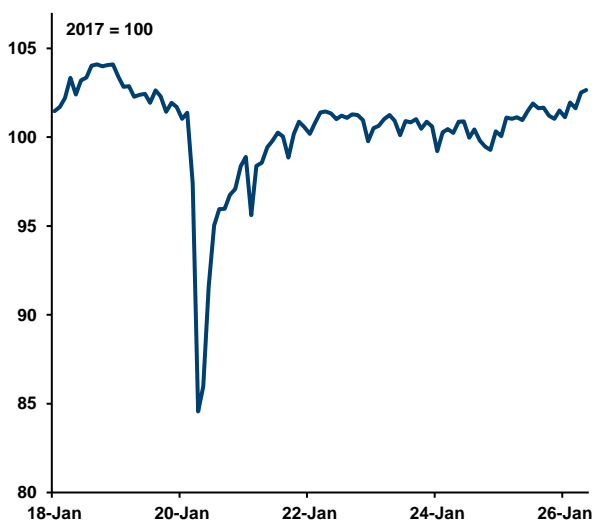
- Industrial production: modest improvement reflecting increase in mining output

Lawrence Werther
 lawrence.werther@us.daiwacm.com
 +1-212-612-6393
Brendan Stuart
 brendan.stuart@us.daiwacm.com
 +1-212-612-6172

Industrial Production

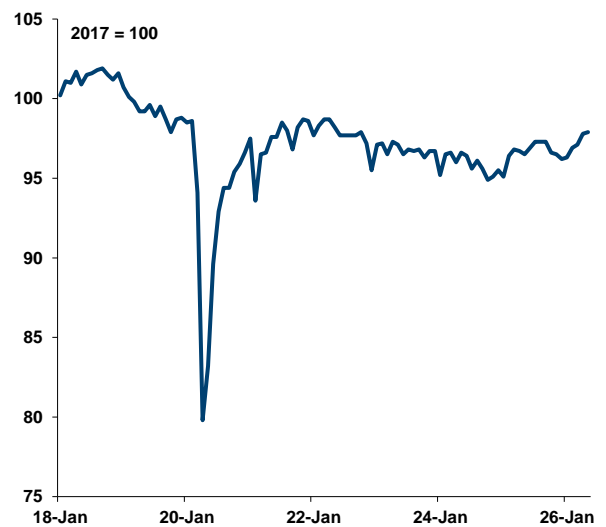
- Following an upwardly-revised increase of 0.9 percent in the prior month, the Federal Reserve Board's industrial production metric rose a modest 0.1 percent in May (+1.7 percent year-over-year; chart, below left). While the result was a bit softer than the median expectation of a 0.3 percent advance from the Bloomberg economist survey, the latest uptick still augmented the upward trend in place since early 2025.
- Looking at the internals of the report, the manufacturing component posted its fifth consecutive monthly increase in May -- albeit a miniscule one that rounded down to no change (+0.043 percent, with less rounding; +1.4 percent year-over-year; chart, below right). Factoring into the latest shift, production in the motor vehicle and parts subcategory rose 1.2 percent, its fifth advance in the past six months (-1.7 percent year-over-year). Performance varied across other sectors, with 10 of 19 non-auto industries registering increases in production (manufacturing production ex-autos rose 1.7 percent year-over-year). Among the more notable shifts, production in apparel and leather goods, wood products, and nonmetallic mineral products recorded gains of 2.4, 2.3, and 1.8 percent, respectively. Moreover, the computer and electronic products area posted its fifth straight monthly increase in May (+0.9 percent) and a year-over-year jump of 10.3 percent, reflecting ongoing robust investment in AI-related infrastructure. On the other side of the coin, petroleum and coal, textiles, and printing and related support activities softened 3.0, 2.4, and 1.6 percent, respectively.

Industrial Production: Total



Source: Federal Reserve Board via Haver Analytics

Industrial Production: Manufacturing



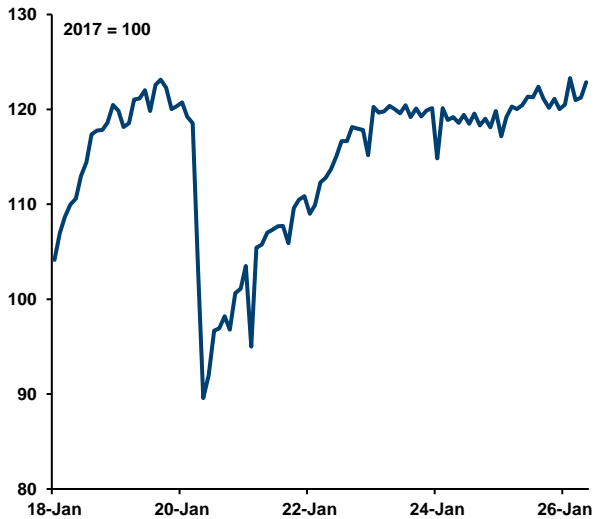
Source: Federal Reserve Board via Haver Analytics

- Mining output, meanwhile, contributed majorly to the improvement seen in the headline with a 1.3-percent advance -- its fourth in the past five months (+2.0 percent year-over-year; chart, next page, left). For context, after mounting a notable recovery from the COVID-related trough and stalling at a pace approximately in line with what seen just prior to the onset of the pandemic, this sector has firmed up over the past few months on account of higher prices stemming from the current shipping disruptions in the Middle East. On the point, despite recent news of the U.S. and Iran agreeing to an interim deal to reopen the Strait of Hormuz, we suspect that elevated oil prices could persist for a time, potentially spurring additional domestic production of both crude oil and natural gas to in the months ahead.

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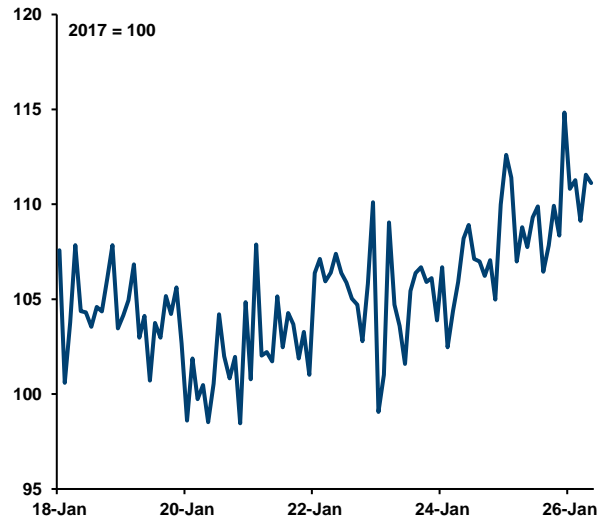
- Utility output eased 0.4 percent in May (+3.1 percent year-over-year; chart, below right), reflecting a 1.7 percent decrease in electric power generation, transmission, and distribution offsetting an 8.5 percent increase in natural gas distribution. We again caution, however, that this component often displays 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 the weather rather than underlying economic fundamentals.

Industrial Production: Mining



Source: Federal Reserve Board via Haver Analytics

Industrial Production: Utilities



Source: Federal Reserve Board via Haver Analytics

- Broadly speaking, while today's industrial production report was a bit softer than expected, other data on the factor sector still indicate a favorable performance in the first half of the year. For example, the Institute for Supply Management's manufacturing PMI has indicated expansion in the first five months of 2026 after signaling contraction for much of the past few years. In addition, an updated reading on the New York Fed's Empire State Manufacturing Survey published earlier today suggested a positive performance, although at a slower pace (-13.9 points to +5.7, its fifth expansionary read in the past six months). While caution is still warranted in light of economic uncertainty generated by war and trade policy, the U.S. economy (and by extension the manufacturing sector) has thus far proven resilient to shocks.