

U.S. Data Review

- CPI: restrained inflation
- Retail sales: moderate activity in April; upward revisions in March
- Consumer sentiment: still elevated

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CPI

The increase of 0.2 percent in the headline CPI for April matched expectations, but the increase of 0.1 percent in the core component was one tick lighter than expected. The subdued increase in the core component was especially surprising in light of the decline of 0.1 percent in the prior month. The core component jumped 0.3 percent in January, but it has been tame since then. The year-over-year change in prices excluding food and energy now totals 1.9 percent, down from a recent peak of 2.3 percent in January. The headline index was up 2.2 in the past year, down from 2.7 percent in February (led by energy, where the year-over-year change peaked at 15.2 percent in February and eased to 9.3 percent in April).

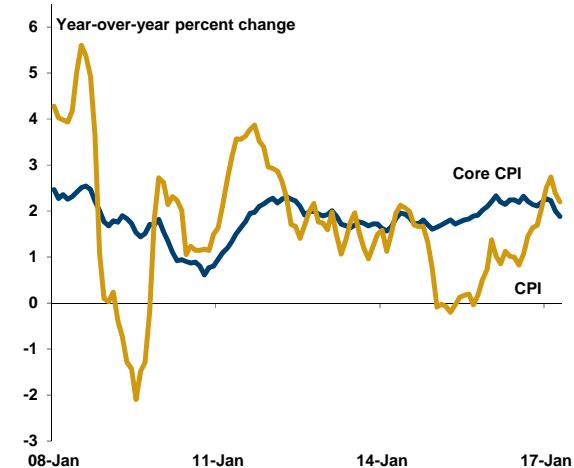
The subdued readings on core prices in the past two months were influenced by sharp declines in the prices of wireless telephone services (off 7.0 percent in March and 1.7 percent in April, not annualized), but other areas have been tame as well. In the latest month, several categories registered declines: apparel, communication (wireless phone services), recreation, motor vehicles (both new and used), and airfares. Interestingly, medical care costs also declined -- a rare event. Rental rates have cooled somewhat in the past few months. This component was the fastest rising element of the CPI for some time, with increases totaling 0.3 percent or more in most months. Recent readings were still reported as 0.3 percent, but they rounded up to this total rather than rounded down. Owners' equivalent rent rose also had been increasing 0.3 percent per month, but it has eased to 0.2 percent in the past two months (and in three of the past four).

There wasn't much on the high side on April. Tobacco prices jumped 4.2 percent, and personal care items rose more than the recent average (up 0.1 percent rather than flat). Prices of food at home are moving up, averaging increases of 0.3 percent in the past three months in contrast to discounting most of last year. Otherwise, inflation is contained.

Retail Sales

Retail sales rose 0.4 percent in April, lighter than the expected increase of 0.6 percent. Results excluding autos also were below expectations (0.3 percent versus 0.5 percent), as were sales ex-autos and ex-gasoline (0.3 percent versus 0.4 percent). However, results in the prior two months were revised upward, with the adjustment equivalent to 0.3 percent. Sales ex-autos were revised upward by 0.4 percent and ex-autos, ex-gasoline by 0.3 percent. Considering the latest change and the revisions, the report was respectable.

Consumer Price Index



Source: Bureau of Labor Statistics

Most categories performed reasonably well during April, but clothing and general merchandise stores were exceptions, with both registering declines of 0.5 percent and continuing generally soft trends. These results, however, are probably reflect a shift in shopping patterns rather than a retreat by households. That is, individuals are doing more on-line shopping, which was evident in another sizeable increase in nonstore retailers: up 1.4 percent in April and averaging gains of 0.9 percent in the past year. The retail control, a measure that correlates well with consumer spending as measured in the GDP accounts, rose 0.2 percent in April (and was revised by 0.3 percent over the prior two months), indicating moderate growth in consumer spending.

Retail Sales -- Monthly Percent Change

	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
Total	0.9	0.5	-0.2	0.1	0.4
Ex.-Autos	0.3	1.1	0.1	0.3	0.3
Ex.-Autos, Ex.-Gas	0.0	1.0	0.1	0.4	0.3
Retail Control*	0.0	0.8	-0.2	0.6	0.2
Autos	3.1	-1.6	-1.5	-0.5	0.7
Gasoline	3.2	2.2	0.0	-0.4	0.2
Clothing	-0.1	0.7	-2.6	1.9	-0.5
General Merchandise	-0.2	1.4	-0.7	-0.2	-0.5
Nonstore**	1.6	0.3	0.8	1.1	1.4

* Retail sales excluding sales from motor vehicle dealers, gasoline stations, and building materials, garden equipment, and supply dealers.

** Primarily online and catalog sales; also includes sales by fuel-oil dealers.

Source: U.S. Census Bureau

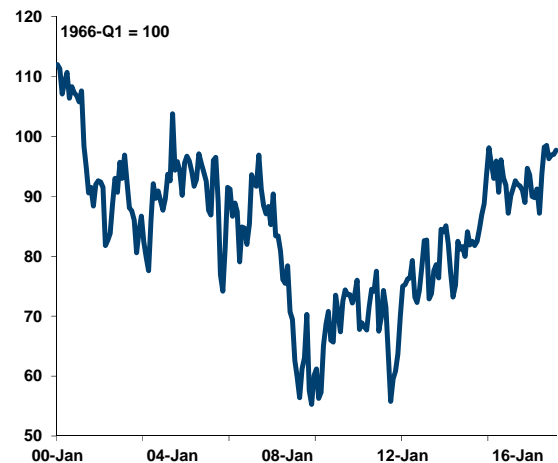
Consumer Sentiment

The Reuters/University of Michigan index of consumer sentiment inched higher in early May from an already elevated level, leaving a strong showing. The new reading was very much in the upper end of the recent range: only three observations in the current cycle were higher and only marginally so. The recent results also compare favorably with readings in the prior expansion (only one observation was higher than recent tallies, chart).

All of the increase in the headline index in May was the result of a gain in the expectations component; the current conditions index was unchanged. Both components are in the upper ends of their recent (and prerecession) ranges, although the relative standing of the current conditions index is the firmer of the two.

The measure of long-term inflation expectations included with the report, which is monitored by several Fed officials, inched 0.1 percentage point lower to 2.3 percent and matched the low for the current cycle.

Consumer Sentiment



Source: Reuters/University of Michigan Survey Research Center