

U.S. Data Review

- Retail sales: a pause in August after strong results in July
- Consumer sentiment: modest rebound in Sept; still in low end of recent range

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Retail Sales

The auto component of retail sales posted a firm advance (1.8 percent), which pushed the growth of the headline figure to 0.4 percent, slightly better than the expected increase of 0.2 percent. Other components were generally on the soft side, as shown by no change excluding autos. The sluggishness was neither surprising nor troubling. The report in the prior month was quite strong (1.0 percent ex-autos), which led analysts to look for some payback. Results in the past two months combined were consistent with good support from the consumer sector.

Retail Sales -- Monthly Percent Change

	Apr-19	May-19	Jun-19	Jul-19	Aug-19
Total	0.4	0.5	0.4	0.8	0.4
Ex.-Autos	0.6	0.5	0.3	1.0	0.0
Ex.-Autos, Ex.-Gas	0.5	0.6	0.6	0.9	0.1
Retail Control*	0.6	0.8	0.6	0.9	0.0
Autos	-0.4	0.4	0.7	0.1	1.8
Gasoline	1.6	-0.2	-2.5	1.4	-0.9
Clothing	-0.2	-0.1	0.2	1.3	-0.9
General Merchandise	0.6	0.2	-0.6	0.7	-0.3
Nonstore**	0.8	2.3	2.1	1.7	1.6

* 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 via Haver Analytics

Several areas contributed to the soft results ex-autos, but often the changes seemed to be payback for good results in the prior month. Clothing stores, for example, registered a drop of 0.9 percent, reversing a portion of the 1.3 percent gain in the prior month. Restaurants saw a decline of 1.2 percent, but results in prior months were strong (increasing 0.6 to 1.1 percent in each of the prior six months). The drop of 0.3 percent at general merchandise stores offset only a portion of the 0.7 percent increase in July. The dip of 0.2 percent at food stores was a mere dent in the average increase of 1.1 percent in June and July.

One area -- nonstore retailers -- did not give back any of the strength seen in prior months. This area has been a consistent source of strength in recent years, typically increasing 0.8 to 1.0 percent per month. It has picked up the pace in the past four months, registering an average monthly gain of 1.9 percent from May through August. Growth in May and June exceeded two percent, while increases in July and August totaled 1.7 percent and 1.6 percent, respectively. Strong.

All told, August retail activity was unimpressive when viewed in isolation, but results in the past two months combined were fine.

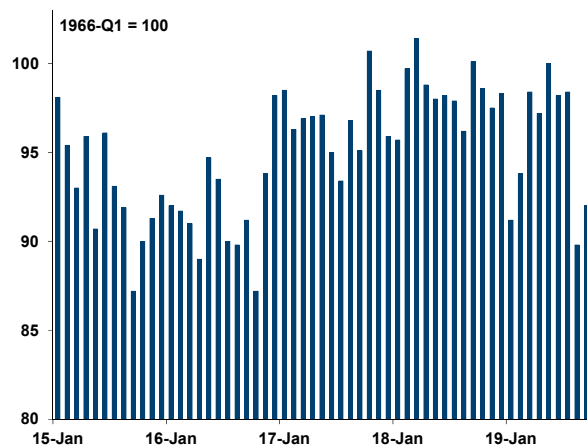
Consumer Sentiment

The consumer sentiment index increased 2.4 percent in early September to a level of 92.0, slightly better than the expected reading of 90.8. The measure fell noticeably in August, dropping 8.7 percent and moving to the low portion of the range from the past several years. The pickup in September is welcome, but the measure is still in the low portion of the recent range (chart, left).

Both the current conditions and expectations components contributed to the improvement, with the expectations component playing the larger role (up 3.1 percent versus an increase of 1.5 percent in the current conditions index). Both components were in the low portions of their ranges.

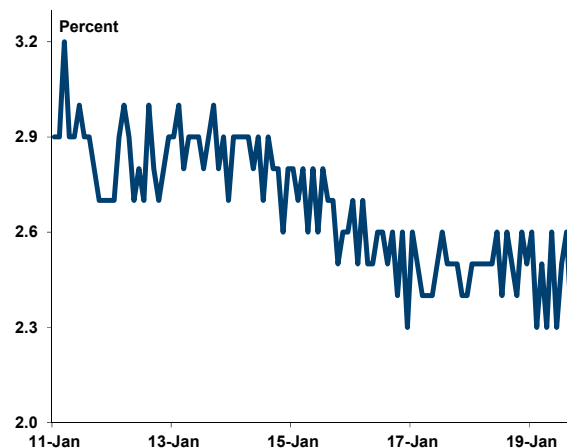
The measure of long-term inflation expectations included in the report (average inflation five to 10 years from now) dropped 0.3 percentage points to 2.3 percent. This measure has been fluctuating within the range of 2.3 to 2.6 percent throughout the year, and thus we view the drop as normal noise rather than a fundamental change. However, the change in the past several years has had a fundamental element, as the measure has eased from a range of 2.7 to 3.0 percent in the early portion of the current expansion (chart, right).

Consumer Sentiment



Source: University of Michigan Survey of Consumers via Haver Analytics

Long-Term Inflation Expectations*



* Median inflation expectations over the next five to 10 years.

Source: University of Michigan Survey of Consumers via Haver Analytics