

# U.S. Data Review

- Retail sales: solid rebound
- Industrial production: up in May, but not impressively so

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## Retail Sales

Retail sales surged 17.7 percent in May, easily beating the expected increase of 8.4 percent and recouping 62 percent of the ground lost in the prior three months. Not only were sales strong, but the breadth of activity was impressive, as every major store category in the report posted an advance. In addition, the deterioration in the prior months was not as pronounced as previously believed, as upward revisions lifted the level of activity in April 2.1 percent above the previous estimate.

Clothing stores led the surge in May with a stunning increase of 188.0 percent. However, activity had sunk to a low level in April, and thus the striking increase retraced only 27 percent of the slippage in the early months of the year. Several other areas regained considerable ground. General merchandise stores and sporting goods stores returned to their pre-virus ranges, and activity at auto dealers was nearly within the pre-virus range. Sales at building-supply stores moved substantially above their pre-virus range, and activity at food stores remained robust. On-line activity remained red-hot, as nonstore retailers posted their third consecutive month of strong increases. Individuals began to return to restaurants, although there was still some hesitancy. Sales at food service and drinking places (i.e. restaurants and bars) increased 29.1 percent, but this gain retraced only 24 percent of the slippage since January.

The strong performance is evident in stores dealing primarily with discretionary purchases, where sales jumped 18.5 percent and retraced 54 percent of the decline in the prior two months (chart).

## Retail Sales -- Monthly Percent Change

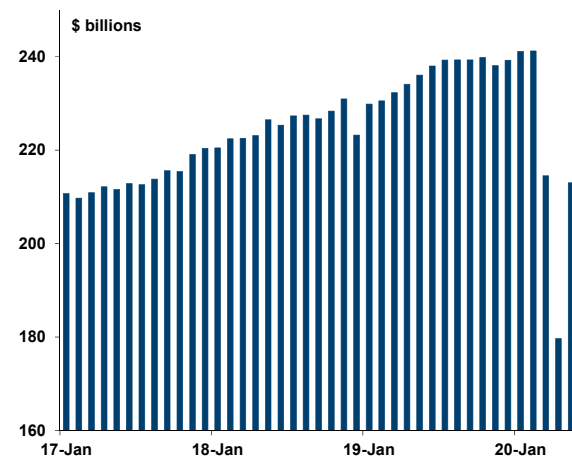
	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Total	0.8	-0.4	-8.2	-14.7	17.7
Ex.-Autos	0.8	-0.5	-3.8	-15.2	12.4
Ex.-Autos, Ex.-Gas	1.0	-0.2	-2.4	-14.4	12.4
Retail Control*	0.7	-0.1	-2.9	-15.4	12.9
Autos	0.8	-0.4	-25.9	-12.3	44.1
Gasoline	-0.6	-2.9	-16.5	-24.4	12.8
Clothing	-0.6	-1.6	-48.7	-75.2	188.0
General Merchandise	0.5	-0.1	8.5	-13.6	6.0
Nonstore**	0.9	1.2	5.0	9.5	9.0

\* 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

## Retail Sales: Discretionary Items\*



\* Discretionary items include sales from the following types of stores: furniture and home furnishing; electronics and appliance; clothing and accessory; sporting goods, hobby, book, and music; general merchandise; food services and drinking places; and nonstore retailers, which include online sales as well as fuel oil dealers. These stores deal primarily with items whose purchase could be postponed.

Source: U.S. Census Bureau via Haver Analytics; Daiwa Capital Markets America

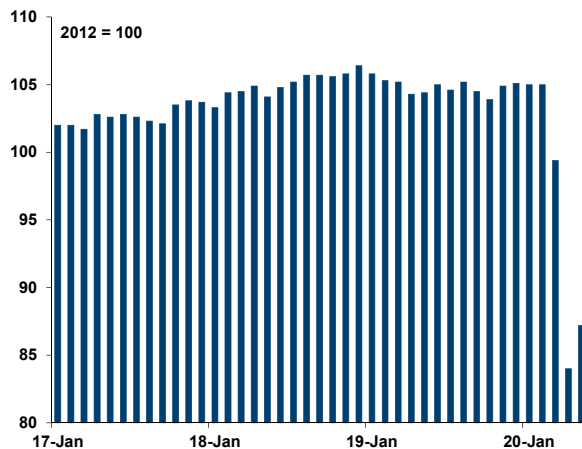
## Industrial Production

Industrial production rose 1.4 percent in May, softer than the expected increase of 3.0 percent. In addition, results in April were revised lower, with production now falling 12.5 percent rather than 11.2 percent. All of the downward adjustment occurred in the manufacturing component (down 15.5 percent rather than 13.7 percent).

An inconsequential (weather-related) decline of 2.3 percent in utility output restrained the increase in the headline index in May, but the manufacturing and mining sectors also underperformed. Mining activity fell 6.8 percent after a drop of 6.1 percent in the prior month. Oil and natural gas extraction has been soft in response to low prices, but other areas in mining also have contracted.

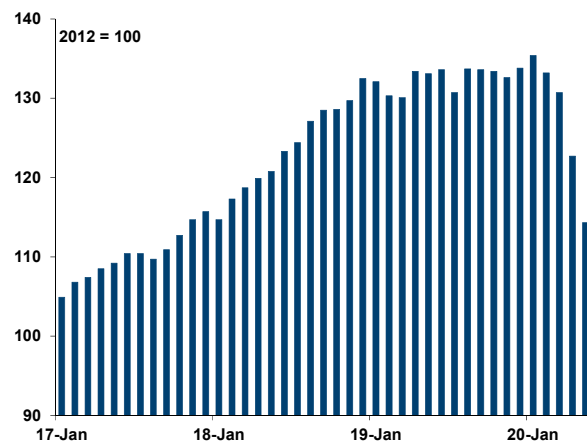
The manufacturing component rose 3.8 percent in May, a respectable gain, but light relative to the contraction in the prior two months (chart) and shy of the expected increase of 5.0 percent. The increase in May retraced 15 percent of the ground lost in the prior two months. Production in the auto sector led the advance with a surge of 120.8 percent as factories reopened in May after extensive closures in March and April. Manufacturing activity outside the auto industry rose 2.0 percent in May, reversing 11 percent of the deterioration in the prior two months. The increases were broadly based, with 13 of the 19 non-auto sectors posting gains.

### Industrial Production: Manufacturing



Source: Federal Reserve Board via Haver Analytics

### Industrial Production: Mining



Source: Federal Reserve Board via Haver Analytics