

U.S. Data Review

- Retail sales: shy of expectations, but still a good report
- Industrial production: making progress
- Consumer sentiment: little changed; lagging other indicators

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Retail Sales

The increase of 1.2 percent in retail sales for July was shy of the expected gain of 2.1 percent, but we still viewed the report as highly favorable. It followed already solid results in the prior two months that were revised higher, and the additional increase in July was firm enough to push total sales and key components above pre-virus levels. (Sales in May now show an increase of 18.3 percent rather than 18.2 percent; sales in June rose 8.4 percent versus the initial estimate of 7.5 percent.)

Some of the very strong areas in May and June eased a bit in July, such as autos, building materials, sporting goods, and general merchandise.

However, the declines in these areas were modest and activity remained above pre-virus levels. Other areas that were not as firm in the prior two months caught up to a degree in July. The combination of revisions to prior months and the gain in July pushed total retail activity 1.2 percent above the recent peak in January. Sales excluding autos and gasoline (to eliminate volatile areas) is 2.5 percent above January (chart). The so-called retail control (a grouping that correlates well with the GDP concept of consumer spending) is 2.2 percent above January. Discretionary spending is just shy of its pre-virus peak.

While the report was favorable, it also included a few hints that consumer behavior was still different than pre-virus norms. For example, sales at gasoline stations were noticeably shy of pre-virus levels. Part of this shortfall is undoubtedly the result of lower prices, but individuals also seem to be driving less. They are probably going to brick and mortar outlets less often, as sales at nonstore vendors (primarily on line) rose 0.7 percent from an already vigorous level. Finally, while restaurants saw a good gain in July, the level of activity was still well below pre-virus norms.

Industrial Production

The increase of 3.0 percent in industrial production for July exactly matched expectations, with all three major components contributing. Output in the manufacturing sector rose 3.4 percent, adding to gains totaling 11.5 percent in the prior two months. Mining activity posted a

Retail Sales -- Monthly Percent Change

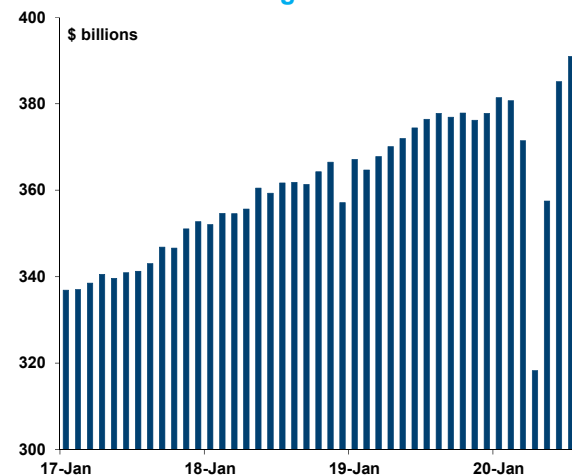
	Mar-20	Apr-20	May-20	Jun-20	Jul-20
Total	-8.2	-14.7	18.3	8.4	1.2
Ex.-Autos	-3.8	-15.2	12.3	8.3	1.9
Ex.-Autos, Ex.-Gas	-2.4	-14.3	12.3	7.7	1.5
Retail Control*	-2.9	-15.3	12.5	8.5	1.9
Autos	-25.9	-12.2	48.3	9.1	-1.2
Gasoline	-16.5	-24.5	12.0	14.8	6.2
Clothing	-48.7	-73.5	180.1	98.8	5.7
General Merchandise	8.5	-13.6	6.0	2.1	-0.2
Nonstore**	5.0	9.4	7.7	-2.1	0.7

* 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 Excluding Autos & Gasoline



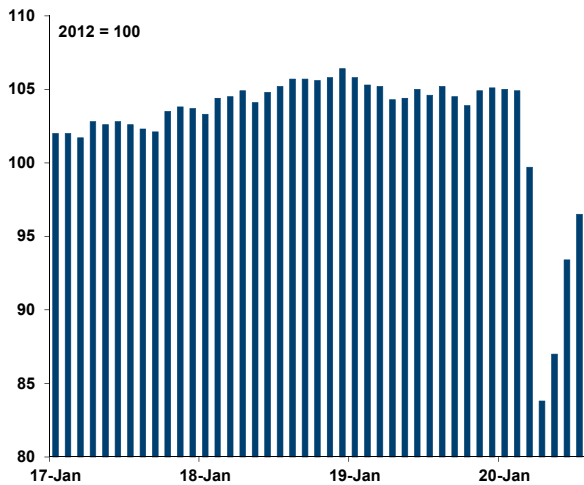
Source: U.S. Census Bureau via Haver Analytics

surprising increase of 0.8 percent, ending a five-month slide. Utility output rose 3.3 percent, but this gain was more a function of the weather (above-normal temperatures) than economic fundamentals. Industrial activity has improved noticeably in the past three months, although output has recouped only 50 percent of the decline in March and April.

The increase in manufacturing activity in July was broadly based, with 18 of 20 major industries reporting gains. Results in June also were widespread, with all 20 industries advancing. The manufacturing sector has recouped 60 percent of the swoon during the spring (chart, left). The auto sector has stood out recently, as the industry is recovering from a near-total shutdown in April. An increase of 28.3 percent in auto output in July followed triple-digit gains in the prior two months (from exceptionally low bases). This industry has now essentially returned to the recent peak level of production in February. Other manufacturing sectors have improved, as manufacturing ex-autos rose 1.6 percent in July after an advance of 3.7 percent in June.

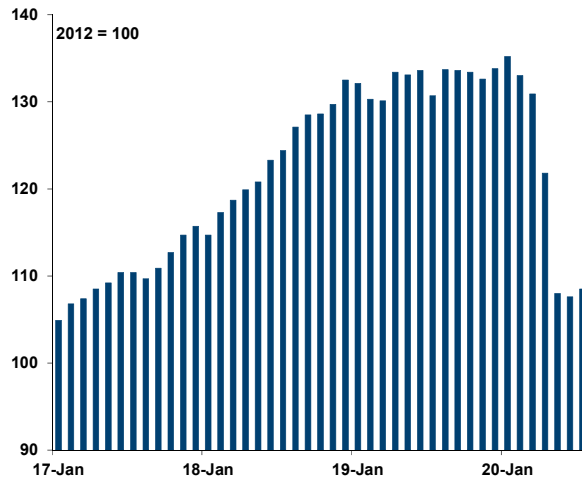
The increase in mining activity was encouraging, although activity remained well below levels seen earlier in the year (chart, right)

Industrial Production: Manufacturing



Source: Federal Reserve Board via Haver Analytics

Industrial Production: Mining

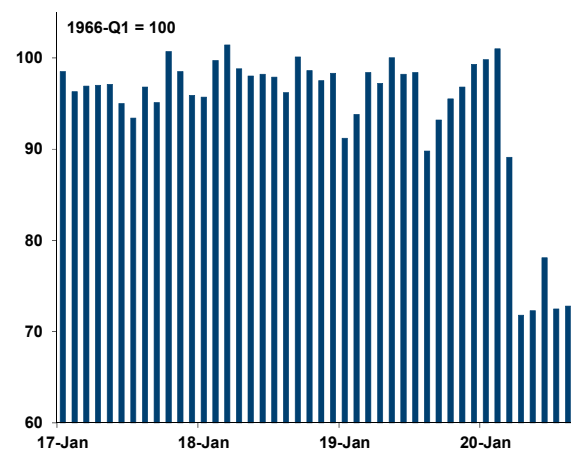


Source: Federal Reserve Board via Haver Analytics

Consumer Sentiment

Consumer sentiment rose slightly in early August (up 0.3 index point or 0.4 percent). The pickup was better than the expected dip of 0.5 percent, but it did not meaningfully change the picture. Like other economic indicators, sentiment fell noticeably in the spring; unlike other indicators, it has not regained lost ground in recent months (chart). The level of the index is not shockingly low (it's above the lows seen in other recessions), but it has not meaningfully improved in recent months.

Consumer Sentiment



Source: U.S. Census Bureau via Haver Analytics