

U.S. Data Review

- Retail sales: another strong advance; most areas above pre-virus levels
- Industrial production: hesitation in manufacturing
- Consumer sentiment: modest increase from a low level

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Retail Sales

Retail sales jumped 1.9 percent in September, easily beating the expected gain of 0.8 percent. In addition, results in the prior two months were revised upward, with the combined changes pushing the level of activity in August 0.3 percent above the previous estimate. Activity had already increased sharply in the prior four months (average gain of 13.4 percent in May/June and 0.8 percent in July/August), which pushed sales above pre-virus levels. The latest gain adds to the already impressive showing (chart, below). Interestingly (and surprisingly), the brisk pickup has occurred despite elevated unemployment and mediocre readings on consumer attitudes (see the sentiment index on the next page).

Retail Sales -- Monthly Percent Change

	May-20	Jun-20	Jul-20	Aug-20	Sep-20
Total	18.3	8.6	1.1	0.6	1.9
Ex.-Autos	12.3	8.4	1.6	0.5	1.5
Ex.-Autos, Ex.-Gas	12.3	7.9	1.3	0.5	1.5
Retail Control*	12.5	8.6	1.6	0.3	1.5
Autos	48.3	9.0	-0.6	0.7	3.6
Gasoline	12.0	15.0	4.5	0.9	1.5
Clothing	180.1	99.7	2.7	1.4	11.0
General Merchandise	6.0	3.0	0.0	-0.4	1.8
Nonstore**	7.7	-2.8	0.4	0.2	0.5

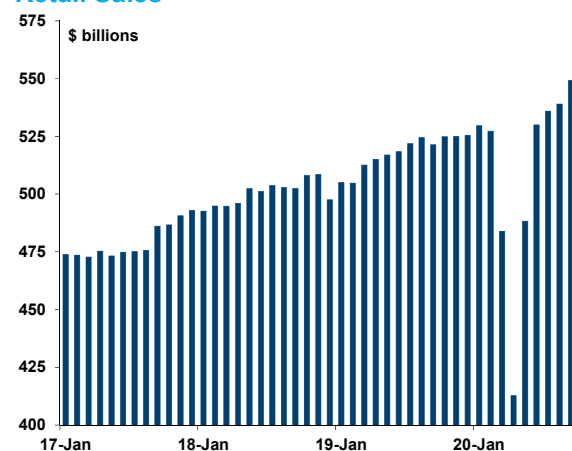
* Retail sales excluding sales from motor vehicle dealers, gasoline stations, and building materials, garden equipment, and supply dealers.

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

Source: U.S. Census Bureau via Haver Analytics

The jump in sales in September was broadly based. Only one major category posted a decline (electronic stores), and the drop of 1.6 percent represented a modest offset to an average increase of 20.7 percent in the prior four months. Clothing stores, which had been lagging, caught up to a degree in September with a surge of 11.0 percent, although activity remained noticeably below pre-virus levels. General merchandise stores and sporting goods stores, which had been doing well, improved further with increases of 1.8 percent and 5.7 percent, respectively. Several categories appeared moderate when viewed in isolation (building materials = 0.6 percent, nonstore retailers = 0.5 percent, food stores = 0.02 percent), but these areas had moved far above pre-virus levels in prior months; adding to the already strong results was impressive. Even restaurants and bars did well in September, with an increase of 2.1 percent. This area is slowly coming back, as it has now recouped 72 percent of the ground lost in the spring. It remains 15 percent below its pre-virus peak.

Retail Sales

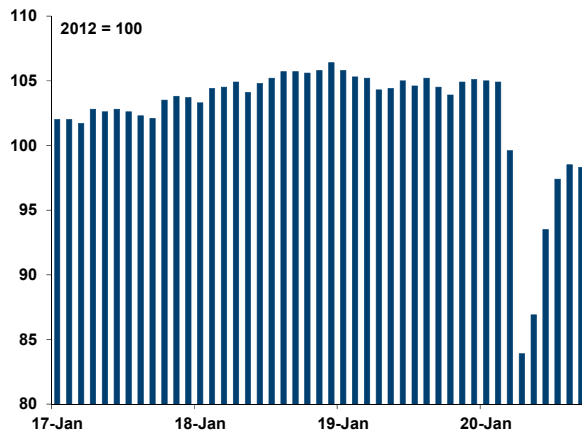


Source: U.S. Census Bureau via Haver Analytics

Industrial Production

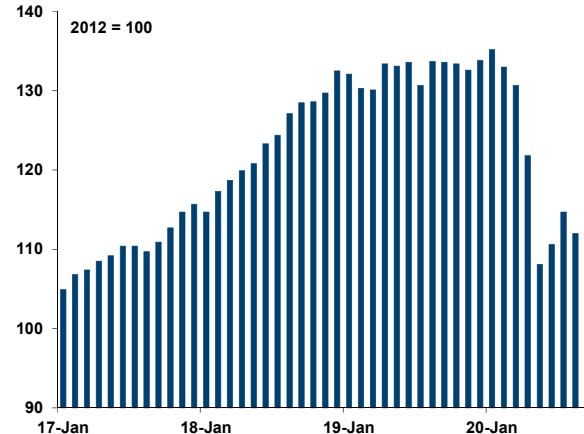
Industrial production posted a surprising decline in September, as the drop of 0.6 percent represented a marked contrast to the expected increase of 0.5 percent. Much of the softness was the result of a drop of

Industrial Production: Manufacturing



Source: Federal Reserve Board via Haver Analytics

Industrial Production: Mining



Source: Federal Reserve Board via Haver Analytics

5.6 percent in the utility component, which most likely was driven by shifts in the weather rather than economic fundamentals. The manufacturing component also contributed to the soft headline figure with a drop of 0.3 percent (chart, upper left). Mining activity rose 1.7 percent. This increase offset most of the drop in the prior month and reinforced the moderate recovery that has emerged in recent months (chart, upper right).

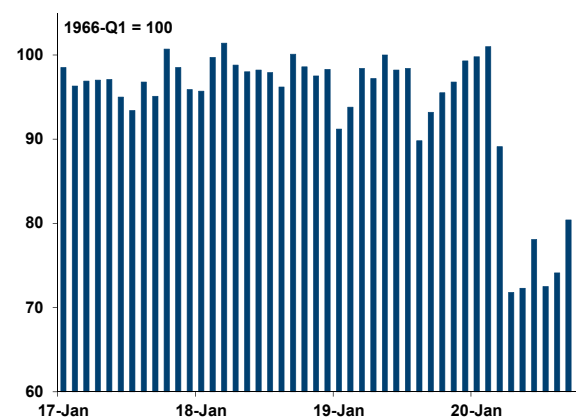
The auto industry, which can be volatile, accounted for much of the surprising softness in manufacturing with a decline of 4.0 percent. However, other areas also were weak, as shown by a flat reading in manufacturing ex-autos. The softness was broadly based; only seven of 19 non-auto industries posted increases. The situation in manufacturing relative to pre-virus results did not change meaningfully (now retracing 67 percent of lost ground versus 68 percent in the prior month), but one would hope for continued recovery rather than a pause.

Consumer Sentiment

The consumer sentiment index increased 0.8 point (or 1.0 percent) in early October, a touch better than the expected increase of 0.1 point. Although better than expected, the latest reading was not impressive, as the index remained noticeably below its pre-virus level. The measure has regained only 32 percent of the ground lost in the spring and it remains 19.6 percent below its pre-virus peak in February (chart, right).

The expectations component of the headline figure has outperformed the current conditions component, as expectations have regained 49 percent of swoon in the spring versus 26 percent for current conditions. Still, the expectations component has not posted a robust performance.

Consumer Sentiment



Source: University of Michigan Survey Research Center