

U.S. Data Review

- Retail sales: stimulus-led vigor
- Unemployment claims: a quickening in the recovery
- IP: weather-related drop in utility output; manufacturing a bit light

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Retail Sales

There was little doubt that the March report on retail sales would be strong because of the recovery rebate checks sent in March, but the surge of 9.8 percent far exceeded the consensus estimate of 5.8 percent. In addition, results in the prior month were a touch firmer than previously believed (the February level was 0.4 percent above the initial estimate). Sales already were strong in January and February because of the stimulus payments approved in December; the additional burst in March launched activity far above previous norms (chart).

Retail Sales -- Monthly Percent Change

	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Total	-1.3	-1.3	7.7	-2.7	9.8
Ex.-Autos	-1.2	-2.1	8.4	-2.5	8.4
Ex.-Autos, Ex.-Gas	-1.1	-2.9	8.6	-3.1	8.2
Retail Control*	-1.3	-3.1	8.8	-3.1	7.8
Autos	-1.6	1.8	5.0	-3.5	15.1
Gasoline	-1.7	7.5	5.9	3.8	10.9
Clothing	-6.1	2.5	7.4	-5.5	18.3
General Merchandise	-1.1	-2.4	10.3	-5.5	9.0
Nonstore**	-1.6	-8.2	17.0	-4.4	6.0

* 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.

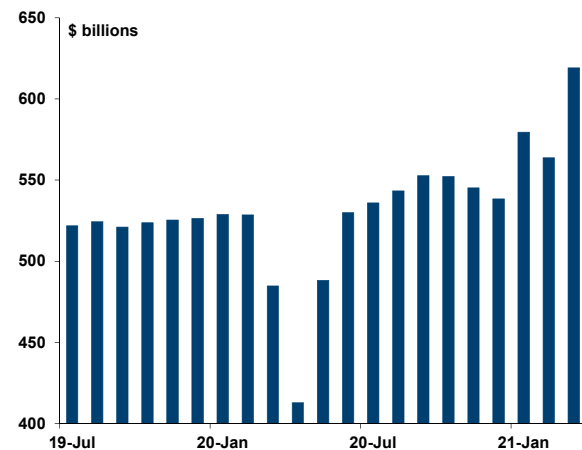
Source: U.S. Census Bureau via Haver Analytics

Not only was the magnitude of change impressive, so too was the breadth. Every major category in the report advanced, and nearly all by a sizeable amount. Sales at food stores rose “only” 0.7 percent; activity at all other types of stores exceeded five percent, with sporting goods stores leading the pack with a surge of 23.5 percent. In addition, nearly all categories are now above pre-pandemic levels, with only restaurants and bars still shy of normal. Before March, clothing stores and electronic & appliance stores were still a bit below pre-pandemic levels.

Initial Unemployment Claims

New claims for unemployment benefit also brought a surprise with the latest reading, showing a drop of 193,000 or 25 percent in the latest week. We have put less weight than normal on this indicator in the past year because of processing problems and incidence of fraud, but large moves probably carry some information value, and today’s report would seem to signal that notable improvement in the labor market is underway.

Retail Sales



Source: U.S. Census Bureau via Haver Analytics

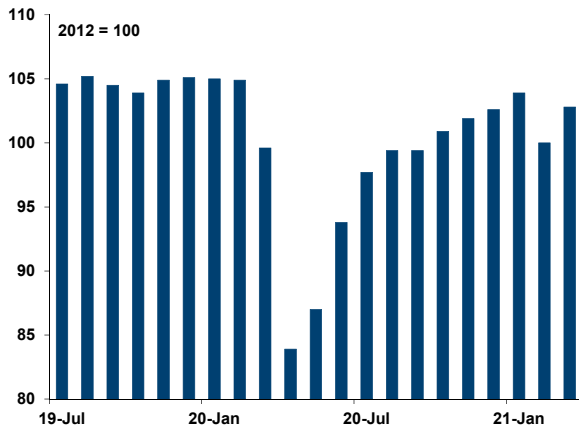
Industrial Production

The industrial production index rose 1.4 percent in March, lighter than the expected increase of 2.5 percent. Much of the surprise occurred in the utility sector, where output tumbled 11.4 percent. The decline, though, could be viewed as inconsequential, as it merely reflected a shift in temperatures from colder-than-normal in February to warmer-than-normal in March.

Manufacturing activity disappointed with an increase of 2.7 percent. The gain was firm when viewed in isolation, but it represented only a partial offset to the weather-related decline in February, which kept output below the January level and shy of pre-pandemic results (chart, left). While the increase in the manufacturing sector was lighter-than-expected, the breadth of change was impressive, as 18 of 20 industries included in the report posted gains. One area showed no change in output, and only the plastics industry registered a decline.

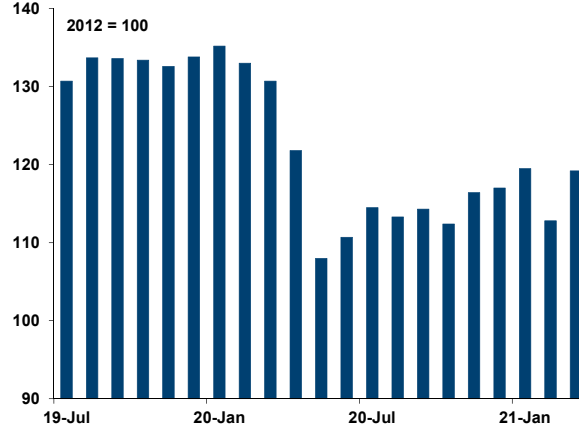
Mining activity jumped as the weather brightened in March, with the gain of 5.7 percent reversing nearly all of the decline in February (still 0.3 percent below January). Mining activity has picked up with the increase in the price of crude oil and the improvement in the economy, although with travel still light, it remains well shy of pre-pandemic levels (chart, right).

Industrial Production: Manufacturing



Source: Federal Reserve Board via Haver Analytics

Industrial Production: Mining



Source: Federal Reserve Board via Haver Analytics