U.S. Data Review

- Retail sales: natural easing from rebate-led strength; still strong
- Industrial production: continued recovery
- PPI: more pressure in May

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Retail Sales

Total retail sales fell 1.3 percent in May, softer than the expected drop of 0.7 percent. However, the results were not especially disappointing, as the decline occurred from unusually strong results in the prior two months that were fueled by government support payments. With the flow of rebate checks easing in May, it was natural to see sales slow as well. The drop of 1.3 percent was noticeable when viewed in isolation, but it was modest relative to the combined gain of 12.3 percent over March and April. The level of sales in May remained far above prior readings despite the drop (chart below).

Retail Sales -- Monthly Percent Change

	Jan-21	Feb-21	Mar-21	Apr-21	May-21
Total	7.6	-2.9	11.3	0.9	-1.3
Ex.-Autos	8.3	-2.7	9.8	0.0	-0.7
Ex.-Autos, Ex.-Gas	8.6	-3.2	9.8	0.1	-0.8
Retail Control*	8.6	-3.0	9.4	0.3	-0.3
Autos	4.9	-3.6	17.0	4.3	-3.7
Gasoline	4.6	3.2	10.1	-1.1	0.7
Clothing	6.3	-5.5	23.9	-2.0	3.0
General Merchandise	10.1	-6.0	13.1	-2.2	-3.3
Nonstore**	16.9	-3.1	5.4	-0.3	-0.8

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

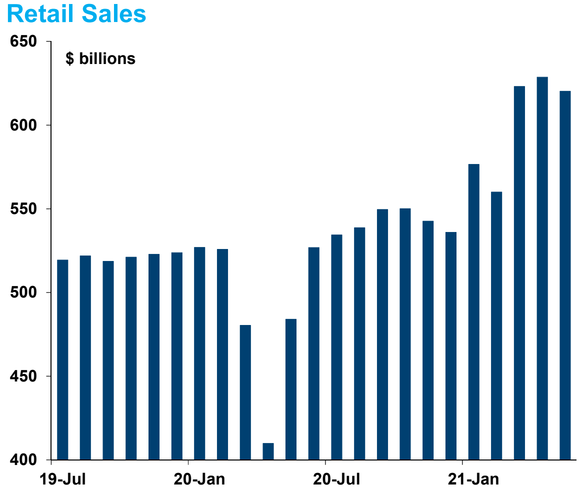
*** Primarily online and catalog sales; also includes sales by fuel-oil dealers.*

Source: U.S. Census Bureau via Haver Analytics

The elevated level of sales in the past few months reflected revisions to March and April, with the combined results leaving the level of activity in April 1.4 percent firmer than previously believed. April originally showed no growth in activity, but the new report is now showing an advance of 0.9 percent. Upward adjustment were broadly based, with only two areas showing softer results. Sales at building supply stores were 1.8 percent lighter than previously believed in April, but activity in this area has been sky-high and is still quite strong after revisions. Sales at gasoline service stations showed a minuscule downward revision.

Results in May were similar across most store categories: sales eased, but the declines occurred from elevated readings in the prior two months and the level of activity remained firm relative to other recent readings. A few areas went against the trend and posted gains in May. Activity at gasoline service stations rose 0.7 percent, most likely reflecting higher prices but possibly influenced by more driving as well. Sales at clothing stores rose 3.0 percent, but this sector had shown less vigor than other areas did in March and April. Similarly, gains at food stores and health-care stores reflected movement along gradual upward trends rather than rebate-related bursts. We were most impressed with activity at eating and drinking places (i.e. restaurants and bars), where sales rose 1.8 percent and moved above the pre-pandemic high in January 2020.

Retail Sales



Source: U.S. Census Bureau via Haver Analytics

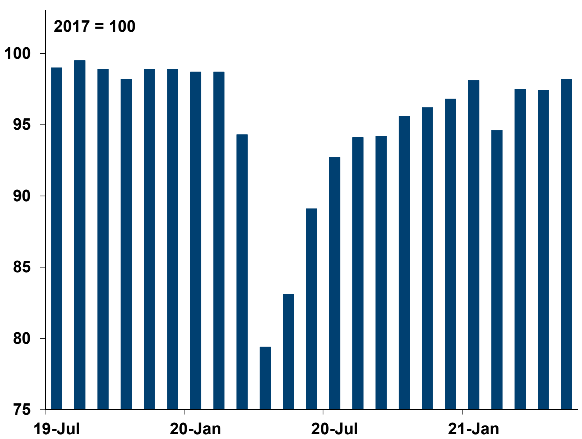
Industrial Production

Industrial production rose 0.8 percent in May, a touch firmer than the expected increase of 0.7 percent. All three components contributed to the advance. Mining was the strongest area, registering a gain of 1.2 percent, but manufacturing was also firm with an increase of 0.9 percent. Utility output rose 0.2 percent, driven by temperatures that were slightly cooler than normal.

Total production has now regained all of the ground lost in February when adverse weather disrupted activity. The new level of the index in May was the best of the current recovery period, although it was still 1.4 percent below the pre-pandemic peak in February. The manufacturing component also is slightly below the pre-pandemic high in December 2019 (0.7 percent below). Mining activity is far shy of results before the onset of the virus (charts).

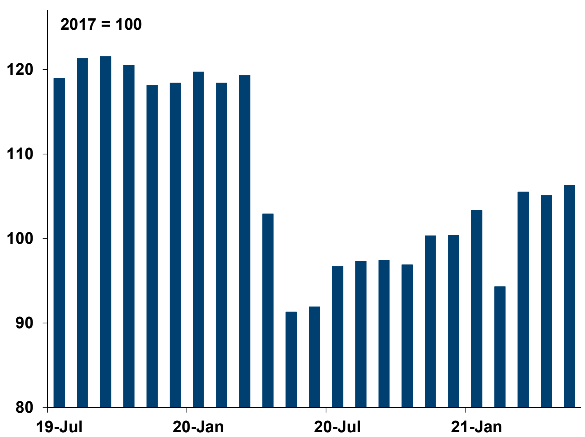
Manufacturing activity in May was bolstered by the auto sector, where production rose 6.7 percent, more than offsetting a drop of 5.7 percent in the prior month. Results elsewhere were respectable, as manufacturing ex-autos rose 0.5 percent. Among the 19 non-auto sectors listed in the report, 10 posted gains in May while seven lost ground and two were unchanged.

Industrial Production: Manufacturing



Source: Federal Reserve Board via Haver Analytics

Industrial Production: Mining



Source: Federal Reserve Board via Haver Analytics

PPI

The producer price index in May, like other inflation indicators, showed pressure from recovery-related demand and supply-chain disruptions. The headline index rose 0.8 percent, firmer than the expected increase of 0.5 percent. Prices of food and energy had a noticeable influence, as they rose 2.6 percent and 2.2 percent, respectively. Excluding food and energy, prices rose 0.7 percent in May, firmer than the expected increase of 0.5 percent.

The increases continued pressure that has been evident throughout the year, as the headline index posted an average increase of 0.9 percent in the first four months of the year while prices ex food and energy rose 0.6 percent on average. All items outside food and energy (consumer goods, capital goods, services) have been on the firm side this year.