

U.S. Data Review

- Retail sales: higher prices played a role, but gains in real terms as well
- Industrial production: a rebound from hurricane effects and firm underlying activity

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Retail Sales

Retail sales jumped 1.7 percent in October, slightly better than the expected gain of 1.5 percent. Higher prices undoubtedly played a role in this nominal report, but the results also were firm enough to suggest gains after price adjustments. The influence of higher prices was most noticeable in the gasoline component, which rose 3.9 percent, a hefty advance but lighter than the 6.1 percent increase in the gasoline component of the CPI. Similarly, sales at food stores rose 0.9 percent, a bit softer than the increase of 1.0 percent in the food-at-home component of the CPI. Finally, sales at motor vehicle and parts dealers rose 1.8 percent, better than the increase of 1.4 percent in the prices of new cars and light trucks, although less than the jump of 2.5 percent in the prices of used vehicles.

While solid nominal gains in some areas will translate to soft results after adjusting for inflation, the report was strong enough to suggest gains in real terms on average. Retail sales excluding food and gasoline rose 1.6 percent, while the closest component in the CPI (goods prices excluding food and energy) rose 1.0 percent. The broad-based nature of the increase in retail activity also was encouraging, as only two of 13 major categories posted declines (health-care and clothing stores, off 0.6 percent and 0.7 percent, respectively; neither decline did serious damage to underlying trends). Increases in other areas either maintained activity at an elevated level (firm relative to pre-pandemic norms) or added to upward drifts from already elevated levels.

Retail Sales -- Monthly Percent Change

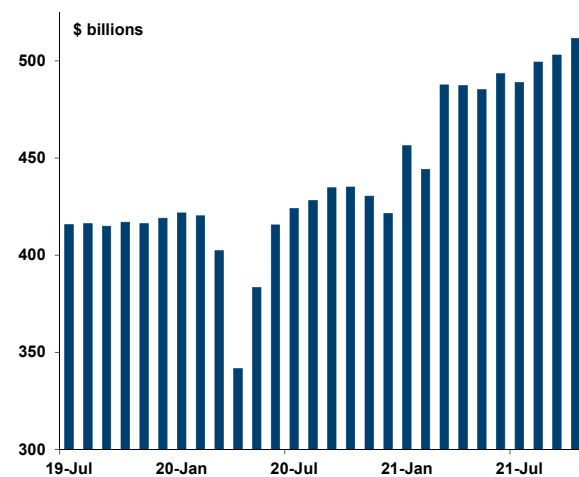
	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
Total	0.9	-1.6	1.2	0.8	1.7
Ex.-Autos	1.7	-0.9	2.2	0.7	1.7
Ex.-Autos, Ex.-Gas	1.5	-1.3	2.2	0.5	1.4
Retail Control*	1.7	-1.2	2.3	0.5	1.3
Autos	-2.1	-4.3	-2.7	1.2	1.8
Gasoline	3.6	2.4	1.7	3.2	3.9
Clothing	3.4	-2.6	0.0	2.1	-0.7
General Merchandise	2.4	-1.1	3.5	2.0	0.8
Nonstore**	0.1	-4.6	5.9	-0.8	4.0

* 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 Excluding Autos



Source: U.S. Census Bureau via Haver Analytics

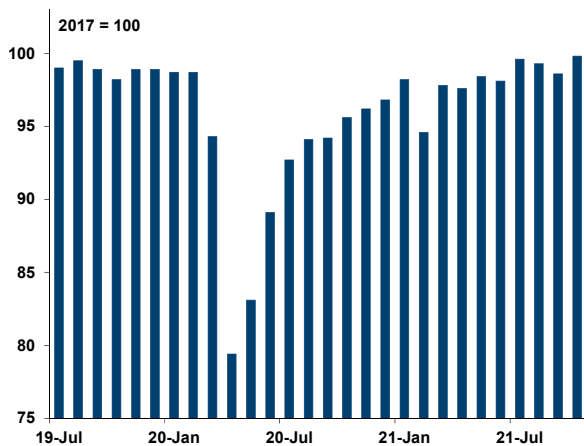
Industrial Production

Industrial production jumped 1.6 percent in October, beating the expected advance of 0.9 percent. All three major components contributed to the increase, as manufacturing activity rose 1.2 percent, while the mining and utility components rose 4.1 percent and 1.2 percent, respectively.

Some of the sharp increase in October was the result of recovery from Hurricane Ida, but underlying activity also was firm. The Federal Reserve noted that about half of the overall increase was the result of recovery from the hurricane, which would still leave an underlying increase of 0.8 percent. Both the manufacturing and mining components moved to new highs for the current expansion, and the manufacturing component rose further above the pre-pandemic levels in early 2020 (charts).

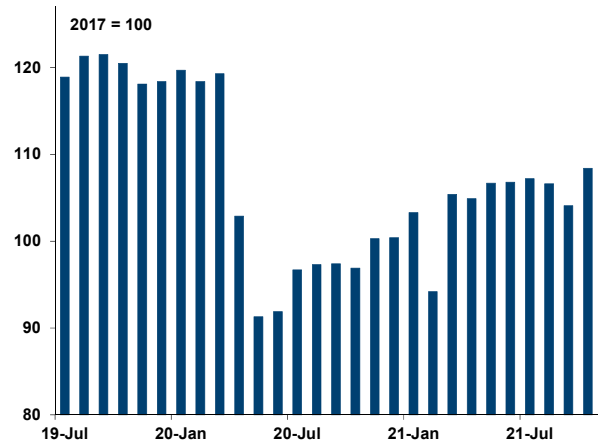
The auto component posted an impressive gain in October (up 11.0 percent), suggesting that manufacturers were learning to adapt to the shortage of semiconductors. The level of activity in the auto sector was still well shy of results earlier in the year, but the hint of recovery was welcome. The performance in the manufacturing sector also was impressive in that the gain occurred despite a constraint from a major equipment producer (not named by the Fed, but probably John Deere). The mining sector was severely constrained by Hurricane Ida, but the jump of 4.1 percent in production easily offset the drop in September and suggested fundamental improvement. Mining activity, though, remains well below levels in early 2020.

Industrial Production: Manufacturing



Source: Federal Reserve Board via Haver Analytics

Industrial Production: Mining



Source: Federal Reserve Board via Haver Analytics