U.S. Data Review

- Retail sales: rebound in January from slide in December
- Industrial production: utility-led increase

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Retail Sales

Retail sales jumped 3.8 percent in January, easily beating the expected increase of 2.0 percent. Revisions to the prior two months were favorable, as an upward adjustment to November outweighed a downward revision to December. The solid increase in January could be downplayed as merely an offset to a marked decline in December (off 2.5 percent). However, we viewed the results as encouraging, as they kept activity on the elevated and upward drifting path that has been in place since early last year. The drop in December might have signaled the beginning of a return to the pre-virus trend, but January suggests still-active consumers (chart).

Retail Sales -- Monthly Percent Change

	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22
Total	0.7	1.8	0.7	-2.5	3.8
Ex.-Autos	0.6	1.8	0.7	-2.8	3.3
Ex.-Autos, Ex.-Gas	0.3	1.6	0.6	-3.2	3.8
Retail Control*	0.3	1.5	0.3	-3.4	3.8
Autos	1.2	1.7	0.7	-1.6	5.7
Gasoline	3.5	3.5	1.9	0.4	-1.3
Clothing	2.0	1.0	1.1	-3.4	0.7
General Merchandise	-0.3	1.6	-1.1	-1.7	3.6
Nonstore**	-0.4	3.8	1.1	-11.4	14.5

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

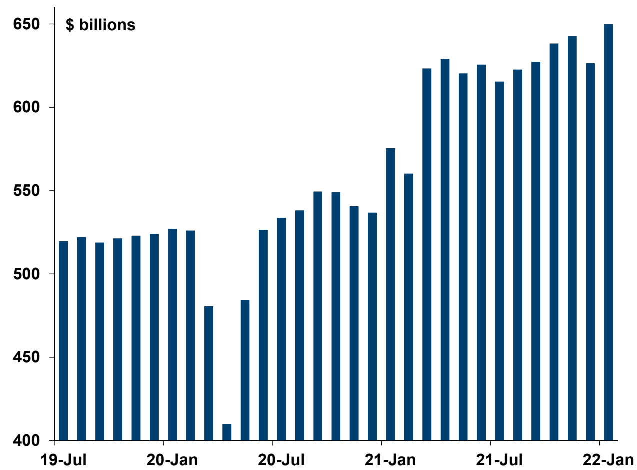
*** Primarily online and catalog sales; also includes sales by fuel-oil dealers.*

Source: U.S. Census Bureau via Haver Analytics

Much of the growth in January occurred in the auto category (up 5.7 percent), most likely reflecting strength seen in sales of new cars and trucks. This pickup is especially encouraging, as it could represent a signal of progress in resolving supply-chain issues in this industry. Elsewhere, gains were led by several areas that had posted soft results in December. Nonstore retailers (primarily online and catalogues) stood out in this regard, where a surge of 14.5 percent more than offset the drop of 11.4 percent in December. Several other areas followed a similar pattern (furniture, building-supply, general merchandise, clothing).

While spending in total was firm, a few areas showed signs of softening. Sales at sporting goods stores fell for a second consecutive month and have been generally losing ground since last spring. Similarly, activity at electronic and appliance stores has been drifting lower since last summer. Both of these areas did well during the initial stages of the pandemic, but they seem to be cooling now. Sales at gasoline service stations fell 1.3 percent in January, partly because of lower prices (the CPI showed a drop of 0.8 percent in gasoline prices), but apparently also influenced by a drop in driving. Sales at restaurants fell 0.9 percent after a drop of 0.6 percent in December, undoubtedly reflecting the effect of omicron.

Retail Sales



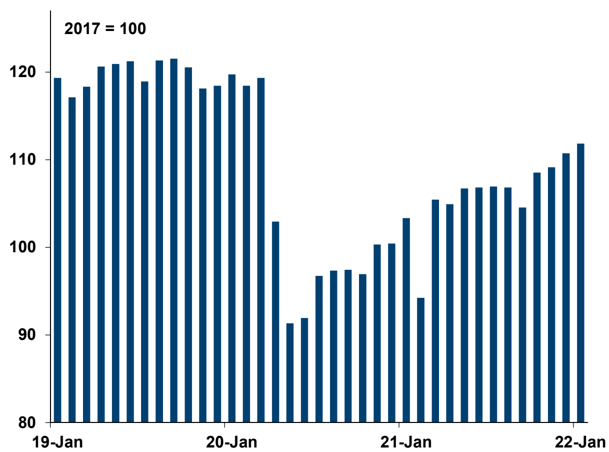
Source: U.S. Census Bureau via Haver Analytics

Industrial Production

Like retail sales, the industrial production index easily beat expectations, as the gain of rose 1.4 percent exceeded the expected increase of 0.5 percent by a sizeable margin. Prior months showed modest and mixed revisions that cumulated to slightly more production overall. While the overall increase was firm, much of the growth was the result of a 9.9 percent increase in utility output, which was driven by colder-than-normal temperatures rather than economic fundamentals. The mining sector performed well with an increase of 1.0 percent, continuing to recover from the deep hole it fell into with the onset of Covid. This sector still has further to go, as it has recovered only 72 percent of the ground lost during the recession (chart, left).

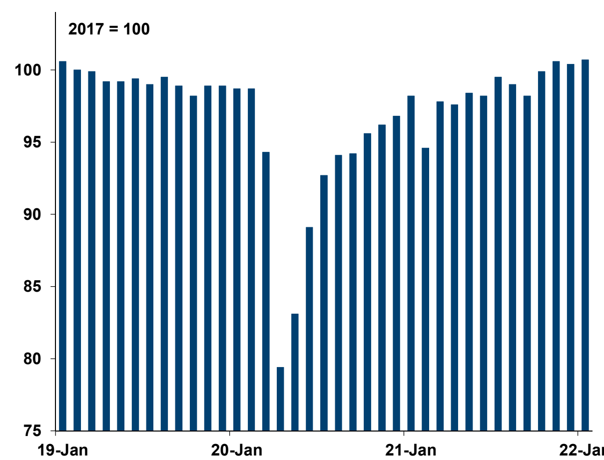
The manufacturing sector lagged utilities and mining in January, as production rose only 0.2 percent after a slight decline in December. The auto industry restrained activity in the past two months, falling 0.9 percent in January after a dip of 0.4 percent in December. Despite these declines, improvement in October and November has boosted auto production above levels seen during much of last year, although still well below levels evident before the shortage of semiconductors became an issue. Excluding autos, manufacturing activity rose 0.3 percent, with 12 of the 19 non-auto industries covered in the report showing gains. Total manufacturing production has moved above levels seen before the onset of Covid, although it is still a bit below the best levels in the prior expansion (chart, right).

Industrial Production: Mining



Source: Federal Reserve Board via Haver Analytics

Industrial Production: Manufacturing



Source: Federal Reserve Board via Haver Analytics