Daiwa Capital Markets

U.S. Data Review

- Retail sales: pickup in April
- Industrial production: jump in manufacturing led by auto output; trend in factory output flat

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Retail Sales

- Retail sales increased 0.4 percent in April, weaker than the consensus expectation of an advance of 0.8 percent, but the internals of the report were a bit firmer than the headline implies. The latest advance followed an uneven performance in Q1, where soft results in February and March followed a burst of activity in January.

- Sales of automobiles and parts rose modestly in April (0.4 percent), but the pickup followed declines in the prior two months and left the level of activity below that in January (when sales surged 6.8 percent).

- Activity at gasoline service stations eased 0.8 percent. Real (inflation-adjusted) sales likely fell by a larger amount, as the gasoline component of the CPI jumped 3.0 percent in April.

- Sales excluding autos and gasoline rose 0.6 percent. Sales at sporting goods stores, furniture stores and appliance & electronic outlets all slid for the third consecutive month, adding to soft trends, but other areas offset these results. Spending at health and personal care stores jumped 0.9 percent, adding to the sharp upward trend. Consumers also were active in spending online and going out to restaurants.

- The April retail report has mildly positive implications for Q2, with categories that feed through to the calculation of GDP tilting upward (implied growth of less than one-half percentage point after growth of 3.7 percent, annual rate, in Q1). However, we emphasize that the picture could change appreciably. The report on personal income and consumption for April (released later in May) will provide a more complete picture on spending for the month (including outlays on services and an estimate of real spending), and consumer behavior could shift in May and June as restrictive monetary policy continues to weigh on activity.

Retail Sales -- Monthly Percent Change

	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
Total	-0.7	2.8	-0.7	-0.7	0.4
Ex.-Autos	-0.5	1.9	-0.5	-0.5	0.4
Ex.-Autos, Ex.-Gas	0.1	2.2	-0.4	-0.5	0.6
Retail Control*	0.1	2.3	-0.4	-0.2	0.6
Autos	-1.7	6.8	-1.1	-1.4	0.4
Gasoline	-5.6	-0.4	-1.8	-0.7	-0.8
Clothing	-0.5	3.5	-2.5	-1.4	-0.3
General Merchandise	0.1	1.9	-0.1	-0.9	0.9
Nonstore**	2.2	-0.1	0.9	0.4	1.2

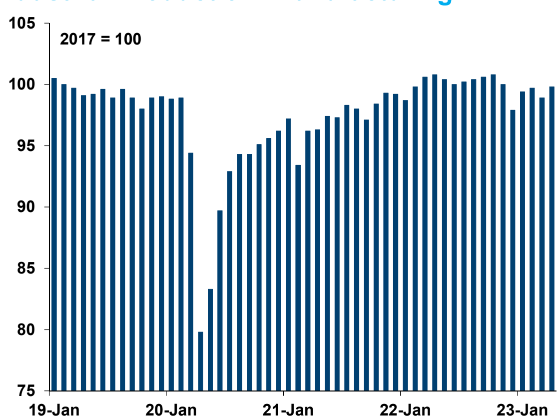
** Retail sales excluding sales from motor vehicle dealers, gasoline stations, and building materials, garden equipment, and supply dealers.*
*** Primarily online and catalog sales; also includes sales by fuel-oil dealers.*
Source: U.S. Census Bureau via Haver Analytics

Industrial Production

- The industrial production index rose 0.5 percent in April, firmer than the consensus expectation of no change. The manufacturing and mining components both registered solid performances with increases of 1.0 percent and 0.6 percent, respectively (charts). The trends in both manufacturing and mining have flattened out in recent months, with manufacturing activity essentially matching pre-COVID levels and mining output stalling below the pre-pandemic performance. The utility component fell 3.1 percent, partially offsetting the advances in manufacturing and mining. However, the decline followed a surge of 8.4 percent in March, when unseasonably cold weather led to a jump in home heating usage; shifts in weather rather than economic fundamentals almost always cause swings in utility output.

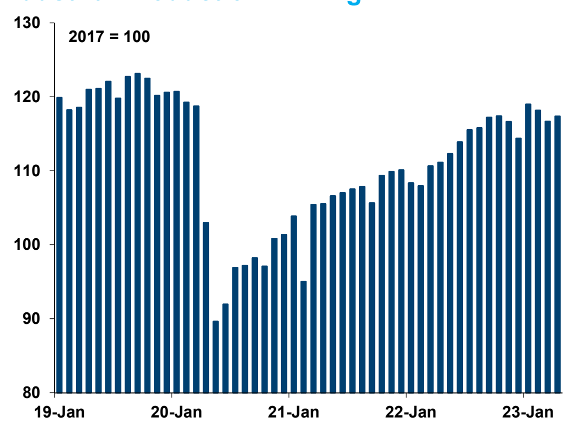
- The advance of 1.0 percent in manufacturing was led by a jump of 9.3 percent in the motor vehicle and parts category, which pushed production in this component well above the underlying flat trend. The increase of 0.4 percent in manufacturing ex motor vehicles was more narrowly based, with eight of 19 industries boosting production. The mixed results across industries highlight the challenging environment for the factory sector, where tight financial conditions and softening economic activity are generating challenges for firms.

Industrial Production: Manufacturing



Source: Federal Reserve Board via Haver Analytics

Industrial Production: Mining



Source: Federal Reserve Board via Haver Analytics