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U.S. Data Review

Retail sales: modest increase in May

• Industrial production: pickup in manufacturing, declines in mining and utility output

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Retail Sales

- Retail sales rose 0.3 percent in May (versus the consensus expectation of -0.2 percent), but the advance occurred from downwardly revised results in the prior two months and the internals of the report suggested restrained activity by consumers.
- Sales at motor vehicle and parts dealers increased 1.4 percent, but sales had declined in two of the prior three months and activity remained below that in January (when sales surged 6.8 percent). We suspect that this area faces downside risks in coming months, as high prices of new vehicles and elevated

Retail Sales -- Monthly Percent Change

	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Total	2.8	-0.7	-0.9	0.4	0.3
ExAutos	1.9	-0.5	-0.8	0.4	0.1
ExAutos, ExGas	2.2	-0.4	-0.8	0.5	0.4
Retail Control*	2.3	-0.4	-0.6	0.6	0.2
Autos	6.8	-1.1	-1.3	0.4	1.4
Gasoline	-0.4	-1.8	-0.9	-0.9	-2.6
Clothing	3.5	-2.5	-1.3	0.1	0.0
General Merchandise	1.9	-0.1	-2.5	0.9	0.4
Nonstore**	-0.1	0.9	0.0	1.0	0.3

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

financing costs threaten to push many prospective buyers to the sidelines.

- Activity at gasoline service stations dropped 2.6 percent, but the shift likely reflected lower prices rather than
 a decline in real consumption. Adjusting sales by the gasoline component of the CPI suggests an increase
 in real consumption of more than three percent. Even with the jump in real activity in May, our calculations
 suggest a year-to-date drop in real purchases of approximately 2.6 percent.
- Sales excluding autos and gasoline advanced 0.4 percent. A portion of the increase reflected a jump of 2.2
 percent at building materials stores, an area which had been trending lower since last fall. The retail control,
 which excludes activity at auto dealers, gasoline stations, and building materials stores (and correlates with
 the consumer spending component of GDP) rose a modest 0.2 percent.
- We view the retail data in total as suggesting caution by consumers, but not retreat. The consumer sector
 faces challenges in the forms of higher borrowing costs, a depletion of pandemic-related saving, and rapid
 inflation, but it has proven resilient thus far.

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^{**} Primarily online and catalog sales; also includes sales by fuel-oil dealers. Source: U.S. Census Bureau via Haver Analytics

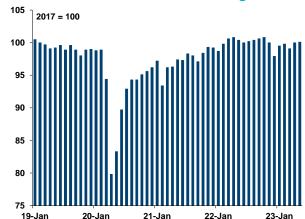
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Industrial Production

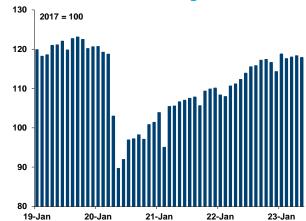
- The industrial production index dipped 0.2 percent in May, softer than the consensus expectation of a pickup of 0.1 percent. Manufacturing activity rose a modest 0.1 percent, while mining activity eased 0.4 percent. The trends in both mining and manufacturing have flattened, with mining notably stalling below pre-COVID levels (charts). The utility component dropped 1.8 percent, following plunge of 1.9 percent in April and surge of 6.3 percent in March. While the changes have been large, keep in mind that swings in this component often reflect shifts in weather rather than changes in economic fundamentals.
- The pickup of 0.1 percent in the manufacturing component reflected a pickup of 0.2 percent in in the motor vehicle and parts category after a jump of 9.8 percent in April. The increase of 0.1 percent in manufacturing production excluding motor vehicles reflected mostly offsetting changes across industries, with 8 of 19 registering increases. The generally soft performance underscores the challenging environment faced by the factory sector, as tight financial conditions and sluggish demand have weighed on activity.

Industrial Production: Manufacturing



Source: Federal Reserve Board via Haver Analytics

Industrial Production: Mining



Source: Federal Reserve Board via Haver Analytics