

U.S. Data Review

- Retail sales: solid in August after brisk activity in the prior month
- Industrial production: rebound in August following hurricane-related volatility in the prior month

Lawrence Werther
Brendan Stuart

Daiwa Capital Markets America
 lawrence.werther@us.daiwacm.com
 brendan.stuart@us.daiwacm.com

Retail Sales

- Retail sales rose 0.1 percent in August, firmer than the Bloomberg median expectation of a decline of 0.2 percent. In addition, modest revisions to prior data tilted to the favorable side, which added an accent to already strong results in July. Results thus far in Q3 suggest that aggregate consumer spending is being well maintained into the back half of 2024.
- Sales at gasoline stations fell for the third time in the last four months (-1.2 percent in August). However, much of the recent softening was tied to price effects – at least prior to August. Deflating nominal activity by the gasoline component of the CPI suggested increases in real consumption from May through July. In the latest month, real activity eased 0.6 percent.
- Activity at motor vehicle and parts dealers was subdued in August (-0.1 percent) after wide month-to-month swings for much of 2024, most notably with volatility in the June/July period tied to disruptions at dealerships related to a cyberattack and a subsequent return to normal in the following month. On a year-over-year basis, sales are tilting higher (+1.3 percent).
- Sales excluding autos and gas stations rose moderately (+0.2 in August; +2.3 percent year-over-year), with a jump of 1.4 percent at nonstore retailers (mostly online outlets) contributing importantly to the advance. Other areas that often represent discretionary purchases were less favorable: sales at clothing stores eased 0.7 percent, activity at electronic and appliance outlets fell 1.1 percent, and sales at furniture stores declined 0.7 percent. Additionally, sales at food services and drinking places (restaurants and bars), the only service-related area in the retail report, declined marginally but rounded to no change.
- With respect to GDP, the performance of the retail control group (sales ex. autos, building supplies, and gasoline stations) remained on track in August (+0.3 percent month-over-month; +3.9 percent year-over-year; chart above). Data for the first two months of Q3 suggest that real consumer spending is on track to increase in the upper-two-percent area, consistent with GDP growth of approximately two-percent.

Retail Sales -- Monthly Percent Change

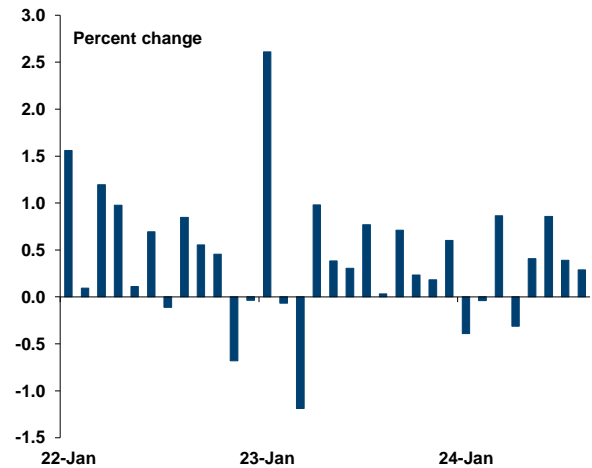
	Apr-24	May-24	Jun-24	Jul-24	Aug-24
Total	-0.2	0.2	-0.3	1.1	0.1
Ex.-Autos	0.1	0.0	0.5	0.4	0.1
Ex.-Autos, Ex.-Gas	-0.1	0.3	0.8	0.4	0.2
Retail Control*	-0.3	0.4	0.9	0.4	0.3
Autos	-1.0	1.1	-3.6	4.4	-0.1
Gasoline	1.6	-2.2	-2.1	0.5	-1.2
Clothing	2.3	1.3	0.1	0.1	-0.7
General Merchandise	-0.9	0.1	0.0	0.8	-0.3
Nonstore**	-1.3	0.5	2.3	-0.4	1.4

* 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: Retail Control*



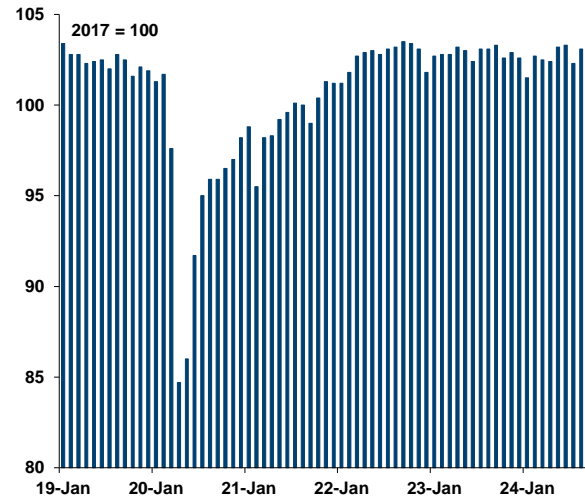
* Retail sales excluding sales from motor vehicle dealers, gasoline stations, and building materials, garden equipment, and supply dealers.

Source: U.S. Census Bureau via Haver Analytics

Industrial Production

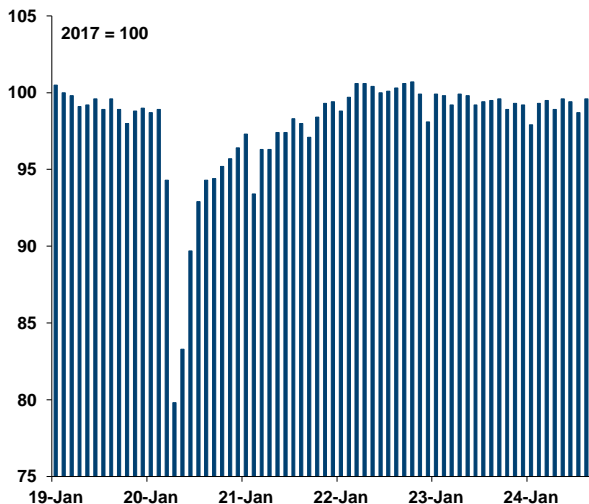
- Following downside volatility in July tied at least in part to Hurricane Beryl making landfall on the Gulf Coast, industrial production rebounded 0.8 percent in August after the previous drop of 0.9 percent (0.0 percent year-over-year in August). Additionally, while results for August were much improved, further effects from the hurricane were still filtering through to the data in the form downward revisions (production fell 0.9 percent in July versus an initial estimate of -0.6 percent, for instance; chart). With that said, the August data were still solid, particularly with respect to the recoveries in manufacturing and mining.
- Manufacturing activity rose 0.9 percent in the latest month. The jump more than retracted a drop of 0.7 percent in July, although this cyclically-sensitive component has essentially moved sideways since early 2023 on account of high interest rates and constrained demand caused by restrictive monetary policy (+0.2 percent year-over-year; chart, below left). The motor vehicle and parts component played a significant role in the August advance (+9.8 percent month-over-month, +0.3 percent year-over-year). Activity ex. motor vehicles recorded a respectable performance after a flat reading in the prior month, rising 0.3 percent (+0.2 percent year-over-year), with 12 of 19 non-auto manufacturing industries registering increases in production in the latest month.
- After a decline of 0.4 percent in July, mining output increased 0.8 percent in the latest month (+0.1 percent year-over-year). That said, activity in the current cycle peaked in the fall of 2023 and has since moderated amid cooling in energy-related commodity prices (-0.7 percent from the cycle peak of 120.9 in September 2023; chart, below right).
- While utility output rounded to no change in August, it declined marginally on balance (-0.039 percent with less rounding, associated with a year-over-year decrease of 0.9 percent). Keep in mind that changes in this area often reflect swings in weather rather than in underlying economic conditions.

Industrial Production



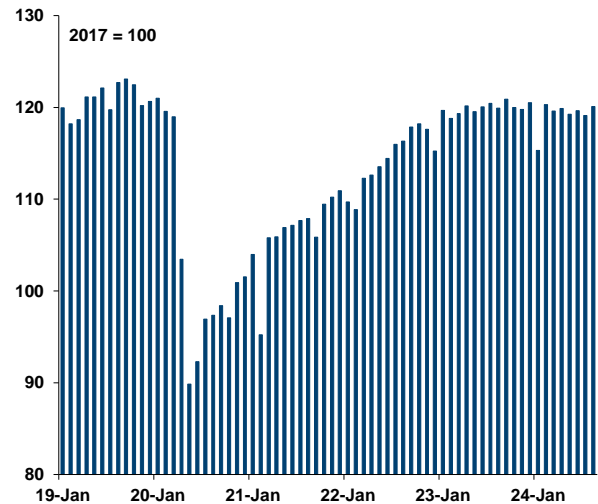
Source: Federal Reserve Board via Haver Analytics

Industrial Production: Manufacturing



Source: Federal Reserve Board via Haver Analytics

Industrial Production: Mining



Source: Federal Reserve Board via Haver Analytics