

## November 2018 Retail Sales, Industrial Production

### Lower Gasoline Prices Good for Shoppers but Drag on Retail Spending Numbers

- Retail Sales increased by 0.2 percent in November, weighed down by lower gasoline prices.
- Industrial Production increased by 0.6 percent in November.

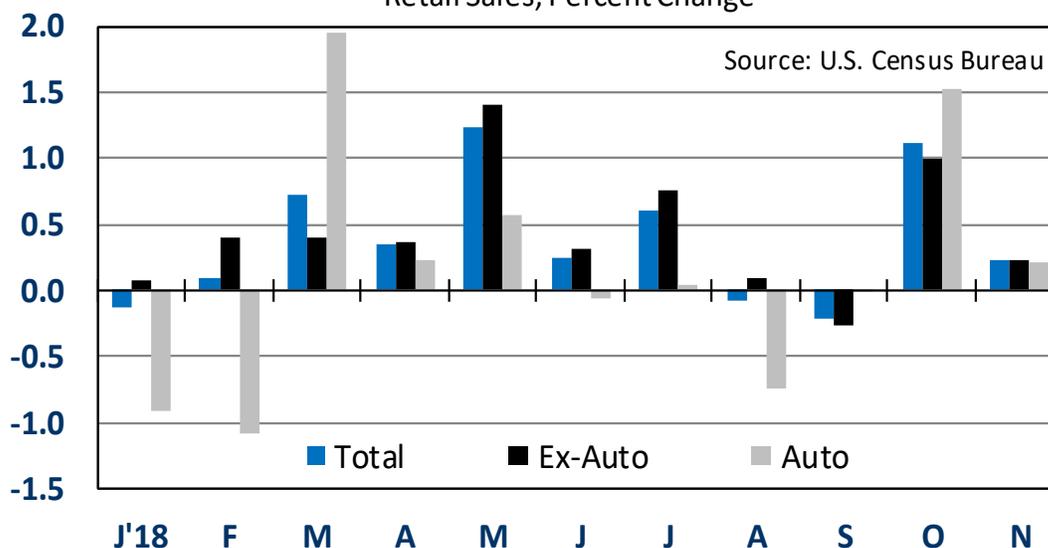
Volatility in the oil market is leaving its mark on many U.S. economic indicators, including retail sales for the month of November. Total nominal retail sales increased by a modest 0.2 percent for the month despite very favorable conditions for consumers. The culprit was gasoline. According to the Oil Price Information Service, the average monthly price for unleaded gasoline fell 6.5 percent in November from \$2.89 down to \$2.70. So far in December gasoline prices have declined more, so gasoline looks like it will be a drag on nominal retail sales in December as well. Retail sales excluding gasoline increased by a respectable 0.5 percent in November. Most non-energy categories were positive for the month. Electronics stores gained 1.4 percent. Non-store retailers (internet shopping) gained 2.3 percent for the month, after seasonal adjustment. Over the 12 months ending in November, retail sales excluding motor vehicles and gasoline are up a solid 4.6 percent. We expect holiday shopping metrics to be good this season, reflecting strong employment levels, increasing wages, still-good consumer confidence and positive wealth effects for most U.S. households.

U.S. industrial production increased by 0.6 percent in November, which looks like a fine number, but the details are weaker than the headline. Manufacturing is looking softer as output for that sector was unchanged for the month after slipping by 0.1 percent in October. Vehicle assemblies increased by 0.6 percent in November, to an 11.28 million unit annual rate. Over the 12-month period ending in November, manufacturing output is up by 2.0 percent. Mining output was up by 1.7 percent. If oil prices remain in the near-\$50 range then mining output could start to ease as drilling and oil field service work gets dialed back. Over the previous 12 months, mining output was up by 13.2 percent. Utility output was up by 3.3 percent in November, weather related. Overall capacity utilization ticked up to 78.48 percent and looks like it is nearing the top of its cycle.

**Market Reaction:** Equity markets opened with losses. The 10-year Treasury yield is down to 2.89 percent. NYMEX crude oil is down to \$52.29/barrel. Natural gas futures are down to \$3.68/mmbtu.

## Retail Sales Sedate as Oil Slides

Retail Sales, Percent Change



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