

April 2019 Retail Sales, Industrial Production, May Mortgage Apps

Auto Sales Cooled in April

- Retail Sales decreased by 0.2 percent in April and are up 3.1 percent over the previous year.
- Industrial Production declined by 0.5 percent in April as manufacturing output dropped.
- Mortgage Applications eased by 0.6 percent for the week ending May 10.

April was another weak month for retail sales. The pattern in month-to-month changes in nominal retail sales has been a zig-zag lately. December was weak. January was strong. February was weak. March was very strong. Now April is weak again. Some of the pattern is due to rising gasoline prices over the past few months. Some is due to a gradual declining pattern in auto sales. But there is another broad weight on shoppers. After posting strong year-over-year gains through 2018, yearly growth in nominal retail sales is looking softer in 2019. This coincides with a step down in consumer confidence that began in December. We expect the recent rupture in the U.S./China trade talks, and the associated increase in tariffs on both sides, to have a negative impact on consumer confidence for May and this could be another weight on consumer spending in the second quarter. Nominal retail sales decreased by 0.2 percent in April. Motor vehicle and parts sales declined by 1.1 percent for the month. Estimated unit auto sales fell noticeably from a 17.5 million unit rate in March, to 16.4 million in April. Retail sales ex-auto inched up by 0.1 percent in April. Higher gasoline prices in April helped, boosting service station sales by 1.8 percent for the month. Other categories were mixed. Building materials sales dropped by 1.9 percent. Department store sales gained 0.7 percent in April.

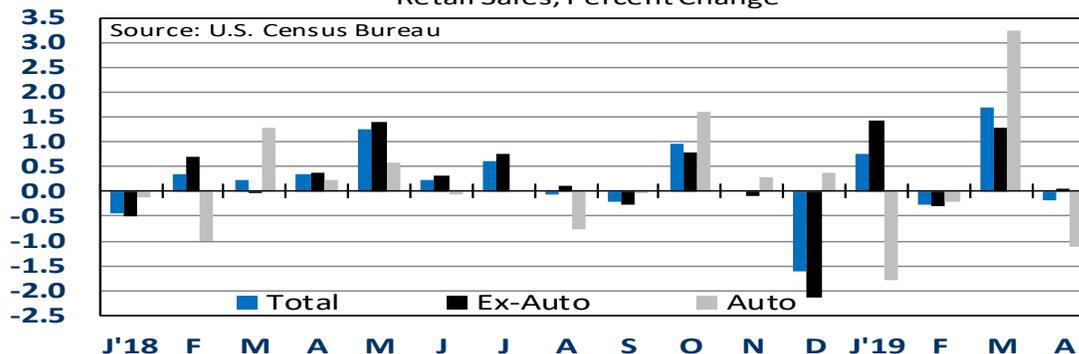
U.S. industrial production declined by 0.5 percent in April. The biggest component, manufacturing, was also down by 0.5 percent. Manufacturing output has now been flat to down for the last four months. The above-mentioned pattern in auto sales is keeping a lid on auto production. Total vehicle assemblies eased to a 10.58 million unit annual rate in April, the lowest rate since May 2018. Production in aerospace transportation equipment also declined in April. We cannot say that that is directly attributable to Boeing's problems with the 737 Max, but it may be a significant factor for that industry segment in the months to come. Output in mining increased by 1.6 percent in April, reversing a three-month slide. Utility output dropped by 3.5 percent in April. Overall capacity utilization eased to 77.9 percent in April. Capacity utilization looks like it is past its peak for this cycle, which may prove to be the 79.6 percent from last November.

Total mortgage applications eased by 0.6 percent for the week ending May 10. Purchase apps decreased by 0.6 percent after a stronger gain the week before. Refi apps fell by 0.5 percent after a moderate gain the week before. On a four-week moving average basis, refi apps are still up 13.3 percent over the past 12 months. Purchase apps are up 3.6 percent over the year. According to the Mortgage Bankers Association, the rate for a 30-year fixed rate mortgage ticked down to 4.40 percent.

Market Reaction: Equity markets are gaining at mid-day. The 10-year Treasury yield is down to 2.38 percent. NYMEX crude oil is up to \$62.01/barrel. Natural gas futures are down to \$2.61/mmbtu.

Retail Sales Zig Zag in 2019

Retail Sales, Percent Change



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