

Datanote: US Retail Sales, March

In one line: Encouraging, but too soon to call a real recovery

- Industrial production rose by 0.4%, in line with the consensus. Net revisions were zero.

- Manufacturing output increased by 0.5%, above the consensus, 0.2%. Net revisions were +0.3%.

The rise in manufacturing output in

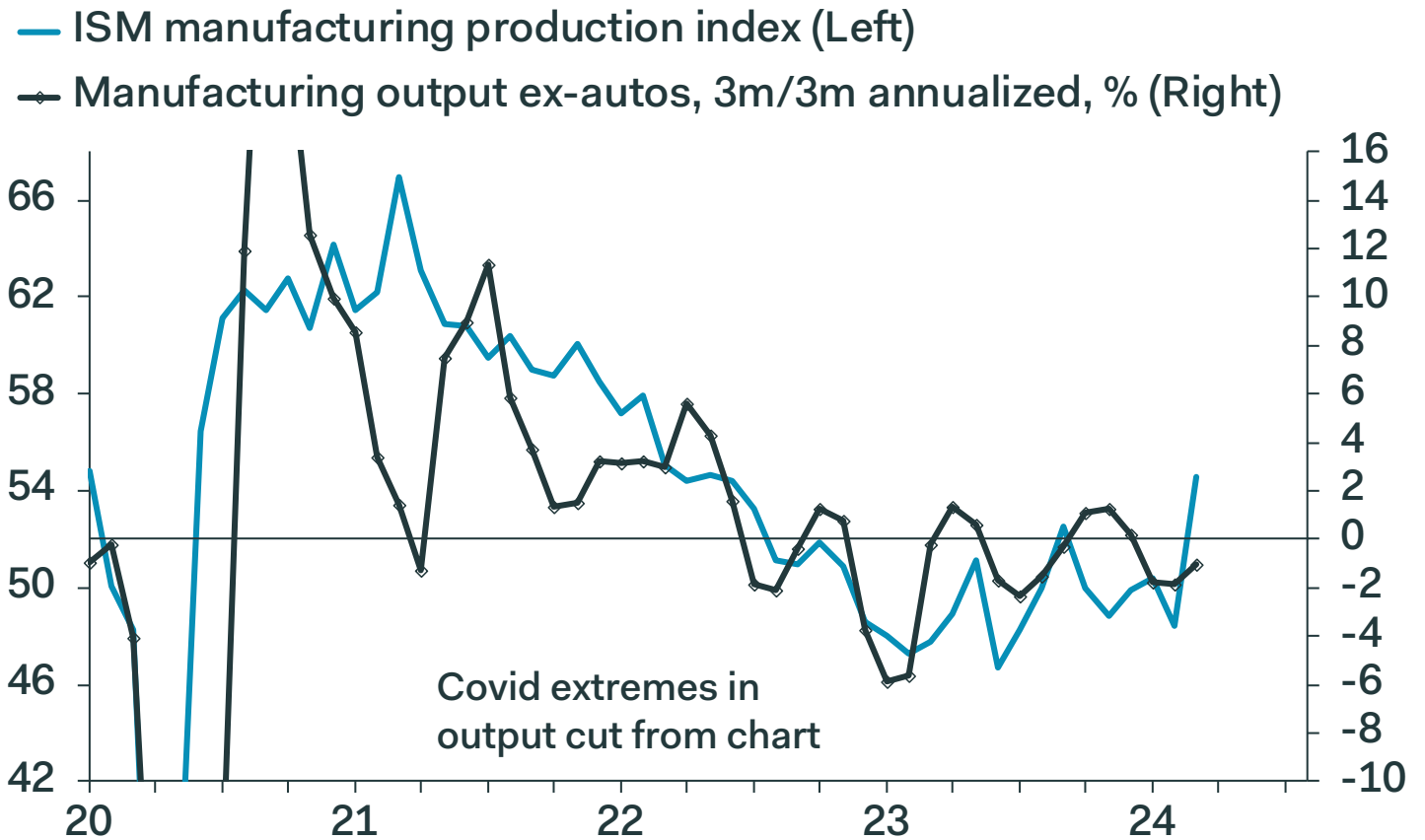
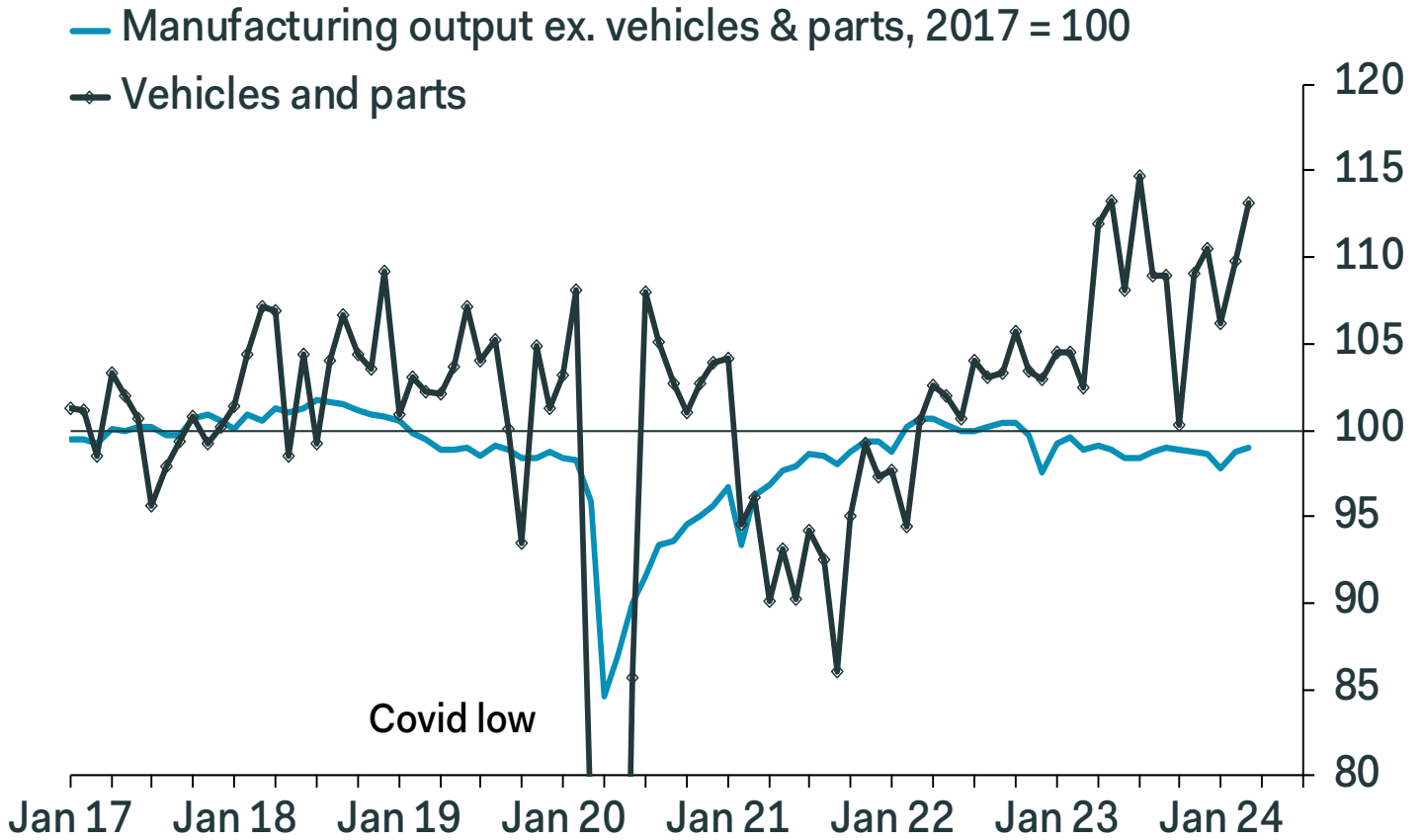
March is something of a surprise given that hours worked in the sector barely rose last month, but it is encouraging nonetheless. A bit less than half of the increase in overall manufacturing output reflected a 3.1% jump in auto production, which has recovered nearly to the mid-2023 peak that preceded the United Auto Workers strike. We now expect auto output to flatten, given the extent of the recovery to date and the ongoing decline in auto sales. But the 0.3% pick-up in manufacturing ex-autos is also a welcome development

given that output on this measure has fallen in four of the five previous months, with February's rise merely a rebound from January's weather-related slump. Manufacturing activity is still yet to break out decisively from its roughly two-year slump, despite several false dawns.

Total industrial production, meanwhile, rose by 0.4%, a bit less than the manufacturing gain; a weather-related recovery in utilities output was more than offset by a

further drop in mining output. Utilities output is trendless, shifting mostly in line with the weather, while mining output will probably start to recover soon given that oil prices have risen significantly this year so far, and natural gas prices have recently appeared to find a floor. But a revival in manufacturing is necessary to drive overall industrial production higher. On this front, the survey evidence is positive, with both the S&P Global US Manufacturing PMI and the headline ISM manufacturing index both above

50 in March for the first time in a year and half, and surveys elsewhere in the world generally improving modestly too. Even so, we think that any recovery in manufacturing activity will be gradual, given that external demand is still relatively weak, and high interest rates will likely weigh on domestic investment for a while yet. .



— WTI oil price, monthly average, three months advanced, \$/bbl (Left)
— Oil rig count, monthly average (Right)

