

United States

Consumer goods producers lose momentum amid slower retail sales growth

- **PMI index of new orders for consumer goods showed smallest rise for a year in April**
- **Weakening PMI acted as advance warning of softer retail sales trend**

US producers of consumer goods reported the weakest rise in new orders for a year in April, representing a relatively poor start to the second quarter compared to the strong growth seen earlier in the year. New orders growth has now slowed for three successive months, corresponding with a similar waning in the retail sales trend.

IHS Markit's PMI New Orders Index for US consumer goods manufacturers fell to 53.4 in April, down from 55.7 in March and a recent peak of 59.5 in January. Although still above the no change level of 50, the drop in the index in recent months signals markedly weaker inflows of new orders for consumer goods, which are commonly orders placed by retailers and wholesalers. As such, the index hints at a tentative softening in growth of demand from households.

The consumer goods PMI is a key indicator to watch as it has historically exhibited a close correlation with the three-month trend in retail sales growth, generally tracking turning points ahead of the release of official data.

The latest drop in the PMI series came ahead of official data showing the trend in retail sales growth also slipping to a one-year low in April. Measured on a three-month basis, thereby removing some of the volatility in the data, retail sales were 0.6% higher in the three months to April compared with the prior three months, according to the Commerce Department. That's down from a peak of 1.6% in January.

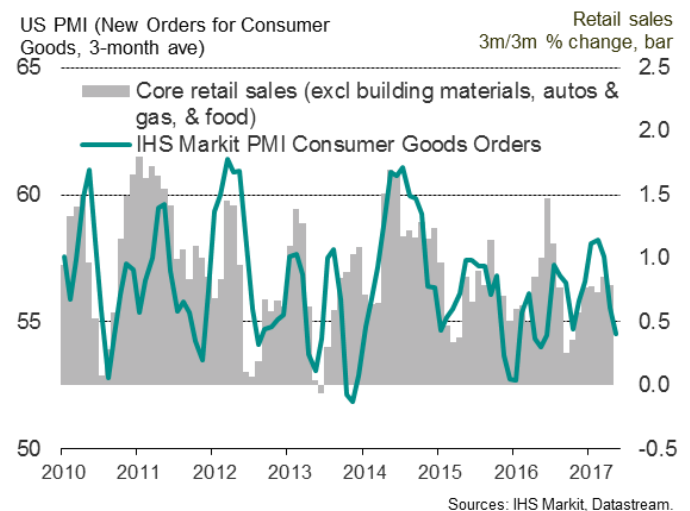
Core sales growth remained firmer, rising 0.8% in the three months to April, but that was also down slightly compared to 0.9% in the three months to March.

US manufacturing PMI data are also available for capital goods (such as plant and machinery) and intermediate goods (products sold to other companies as inputs). For more information please contact economics@ihsmarkit.com.

US PMI consumer goods orders v retail sales



US PMI consumer goods orders v core retail sales



Sources: IHS Markit, Nikkei, Datastream.

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