

## ECONOMIC NEWS

# United States: Retail Sales Falter Heading into the Holidays

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### HIGHLIGHTS

- ▶ Retail sales fell 0.6% in November after climbing 1.3% in October.
- ▶ Motor vehicle sales were down 2.3%. Gas station receipts fell 0.1%. Excluding motor vehicles and gasoline, sales dropped 0.2% after rising 0.8% in October.
- ▶ Other retailers that saw sharp declines included department stores (-2.9%), furniture stores (-2.6%), building materials stores (-2.5%), electronics and appliance stores (-1.5%) and nonstore retailers (-0.9%). Restaurants and bars (+0.9%) and grocery stores (+0.8%) posted the biggest gains.
- ▶ Industrial production was 0.2% lower in November after falling 0.1% in October. Manufacturing output declined 0.6%, and mining was down 0.7%. Energy production jumped 3.6%.

### COMMENTS

It looks like the holiday season is off to a rough start for US retailers. Anecdotally, it sounded like post-Thanksgiving sales were pretty solid. But according to the official data, November saw the worst monthly sales decline since December 2021. Forecasters expected a modest pullback in November, but the actual drop-off was much bigger. This was especially true for sales excluding motor vehicles and gasoline, which were expected to increase. But a decline in retail sales—especially sales of durable goods, which are more interest-rate sensitive—isn't surprising given recent rate hikes. That's just one reason US consumer spending is likely to weaken and real GDP could contract in early 2023. That said, goods prices have just started to come down, which is probably making things worse. Improved supply chain conditions, lower transportation costs, higher interest rates and elevated retailer inventories are all contributing to the current price slide.

### GRAPH

**Lower prices for some goods likely exacerbated the decline in retail sales**



Sources: U.S. Census Bureau, Bureau of Labor statistics and Desjardins Economic Studies

It's the first time since this spring that industrial production has fallen for two straight months. November's decline came on the back of a 2.8% drop in automotive production. Metallurgy, electrical equipment, furniture and petroleum products were also down. These pullbacks are consistent with the decline we've seen in other manufacturing indicators, like the ISM manufacturing PMI, which dipped below 50 in November.

### IMPLICATIONS

US real GDP is expected to begin contracting in short order, so a drop in retail sales and industrial production isn't all that surprising. It remains to be seen whether this continues and—more importantly—whether the labour market begins to slow dramatically as well.