

ECONOMIC NEWS

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United States: Solid Retail Sales Growth

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HIGHLIGHTS

- ▶ Retail sales rose 1.3% in October after a flat September.
- ▶ Motor vehicle sales climbed 1.3%, while gas station receipts jumped 4.1%. Excluding motor vehicles and gasoline, sales grew 0.9% after an increase of 0.6% in September.
- ▶ Food services (+1.6%), grocery stores (+1.4%), nonstore retailers (+1.2%), renovation centres (+1.1%) and furniture stores (+1.1%) also posted strong gains. Only department stores (-2.1%), leisure goods stores (-0.3%) and electronics and appliance stores (-0.3%) reported declines.
- ▶ Industrial production fell 0.1% in October after edging up 0.1% in September (revised from +0.4%). Manufacturing output rose 0.1%, while mining was down 0.4%. Energy production dropped by 1.5%.

COMMENTS

October retail sales beat analyst expectations for a 0.9% gain. And goods prices were lower on the month, suggesting that real sales growth was even stronger. Interest rate-sensitive businesses such as car dealerships, furniture stores and renovation centres that struggled in September also posted solid monthly advances. If they remain resilient, it would be a sign the US economy is weathering tighter monetary conditions pretty well. But we'll have to see how retail sales fare over the holidays.

Industrial production was more disappointing in October, though we saw a rebound in some manufacturing sectors, including automotive, machinery, electrical equipment and aerospace. Weak energy production figures were due to warmer than normal temps in the West and New England.

GRAPH

Solid growth and lower prices



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

IMPLICATIONS

By the looks of October's strong retail sales and partial manufacturing rebound, the US economy remains resilient. We expect to see sustained growth in the fourth quarter. Given current conditions, the Federal Reserve will have to continue tightening monetary policy, though perhaps at a slower pace.