

ECONOMIC NEWS

United States: Modest Growth in Sales and Manufacturing

By Francis Généreux, Principal Economist

HIGHLIGHTS

- ▶ Retail sales rose 0.3% in August after falling 0.4% in July (revised down from 0.0%).
- ▶ Motor vehicle sales jumped 2.8%. Gas station receipts dropped 4.2%. Excluding motor vehicles and gasoline, sales rose 0.3% in both July and August.
- ▶ Renovation centres, food services and department stores posted solid gains for the month, up 1.1%, 1.1% and 0.9% respectively. Retail sales were down at furniture stores (-1.3%), nonstore retailers (-0.7%) and health and personal care stores (-0.6%).
- ▶ Industrial production fell 0.2% in August after adding 0.5% in July. Manufacturing output rose 0.1%, while the mining sector was flat. Energy production tumbled 2.3%.

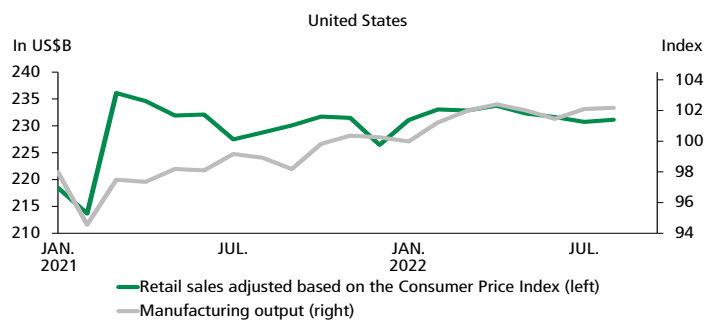
COMMENTS

August's growth in monthly retail sales came in slightly below our expectations, albeit above the consensus forecast. We're a bit surprised that sales at motor vehicle dealerships were so strong, since new car sales fell 1.1% as published at the start of the month. The 0.8% rise in new vehicle prices helped, but it appears that customers are also purchasing higher-end vehicles. The situation appears more challenging for other durable goods. The furniture and electronics sectors have been hardest hit by interest rate hikes and both saw their year-over-year sales decline. Other types of retailers fared better in August, but price effects are still very much in play. For example, the 1.1% increase in receipts at bars and restaurants is less impressive once a 0.9% increase in prices is factored in.

Weak industrial production can be attributed to several factors, starting with the cooler temperatures in certain regions which reduced demand for electricity. The slowdown in manufacturing, which rose 0.1% after gaining 0.6% in July, was primarily due to falling automotive production and lower metallurgy activity.

GRAPH

Growth in real retail sales and manufacturing is running out of steam



Sources: U.S. Census Bureau, Bureau of Labor Statistics, Datastream, Federal Reserve Board and Desjardins Economic Studies

IMPLICATIONS

August's retail sales growth is satisfactory, but nothing more. Real consumption should be fairly weak in light of last month's inflation figure (gasoline aside). Industrial production isn't painting a particularly rosy picture of US growth either.