ECONOMIC NEWS

United States: 2023 Has Come In like a Lion for Retailers and Manufacturers

By Francis Généreux, Principal Economist

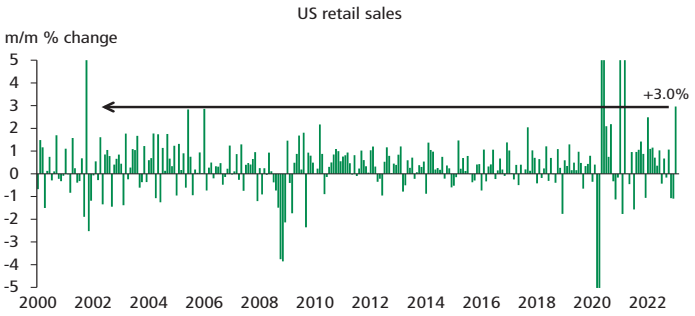
HIGHLIGHTS

- Retail sales jumped 3.0% in January following 1.1% declines in both November and December.
- Motor vehicle sales surged 5.9%. Gas station receipts were flat despite higher gasoline prices. Excluding motor vehicles and gasoline, sales were up 2.6%, the biggest monthly gain since March 2021.
- Every retail category posted higher sales, led by motor vehicle and parts dealers, department stores (+17.5%), food services and drinking places (+7.2%), furniture and home furnishing stores (+4.4%) and electronics and appliance stores (+3.5%).
- Industrial production was unchanged in January after two straight monthly declines. Manufacturing rose 1.0%, and mining was up 2.0%. Energy production plunged 9.9%.

COMMENTS

After a disappointing holiday season with a combined 2.2% sales decline in November and December, retailers bounced back strong in January. Today's 3% monthly print is the best since October 2001 excluding pandemic peaks. Not since August 2014 has every retail category avoided a monthly drop in sales. Such robust, broad-based growth at this stage of the economic cycle is simply stunning. Of course, some of this is a rebound after a weak November and December and probably the winter storm that hit much of the US around Christmas. Only time will tell if we'll continue to see such solid sales figures—and likely real consumption data. We wouldn't be surprised if these numbers fall back again in the coming months. Either way, it's good news for Q1 GDP growth.

GRAPH
Some of the Strongest Monthly Retail Sales Growth, Not Counting Pandemic Peaks



Sources: U.S. Census Bureau and Desjardins Economic Studies

Industrial production was flat in January, overshadowing the biggest monthly manufacturing gains since February 2022. Machinery, food, chemicals and electronics are all up, while the mining sector saw its first meaningful advance since September. Energy production was down due to unseasonably warm weather in January (which likely supported retail sales.)

IMPLICATIONS

Today's strong retail and manufacturing numbers suggest the US economy remains amazingly resilient, but they're likely the result of temporary factors. We wouldn't be surprised to see weaker data in the coming months. That said, continued economic strength is a sign the Federal Reserve will need to keep tightening monetary policy.

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