

ECONOMIC NEWS

United States: Retail Sales and Manufacturing Fell in March

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HIGHLIGHTS

- ▶ Retail sales were down 1.0% in March following a 0.2% decline in February and a 3.1% spike in January.
- ▶ Motor vehicle sales fell 1.6% following a 1.3% drop in February. Gas station receipts slid 5.5% in March. Excluding motor vehicles and gasoline, sales slipped 0.3% after holding steady in February.
- ▶ Most retail categories posted declines in March. Aside from motor vehicles and gasoline, the largest decreases were in general merchandise stores (-3.0%), electronics and appliance stores (-2.1%) and building materials stores (-2.1%).
- ▶ Industrial production was up 0.4% in March following increases of 0.2% in February and 0.9% in January. Manufacturing and mining were both 0.5% lower. Energy production jumped 8.4%.

COMMENTS

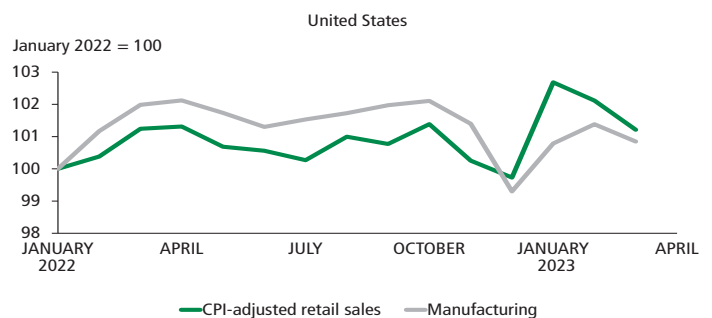
With today's March release, retail sales have now fallen two months in a row. But given January's strong print, a total decline of 1.2% doesn't seem that bad. Total sales are still up 1.9% compared to December. That means retail sales are still solidly in positive territory (+7.0% annualized) for the first quarter as a whole, and consumer spending is likely contributing nicely to real GDP.

January's big rebound complicates the recent retail sales picture. Are the declines we've seen in durable goods like motor vehicles, furniture, electronics and building materials just a normal pullback, or are rate hikes starting to bite? We'll have to keep an eye on the data in the coming months to get a better idea.

Industrial production was only up because more seasonal temperatures led to a spike in energy production. Manufacturing is looking much less positive, with meaningful monthly declines

GRAPH

January's Spike Continues to Skew the Retail Sales Numbers



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

in metallurgy, machinery, electronic and electrical components and motor vehicles. As the drop in the ISM manufacturing index indicates, manufacturing is struggling a bit more than the rest of the economy in the current environment.

IMPLICATIONS

Recent declines in retail sales and manufacturing suggest the economy is slowing, though strong January gains point to a pretty solid quarterly reading. The Federal Reserve would like to see more monthly data like this before ending its monetary tightening cycle, which it's expected to do soon.