ECONOMIC NEWS

UNITED STATES

Retail sales and confidence fall

HIGHLIGHTS

- Retail sales dropped 0.4% in March after gaining 1.0% in February.
- Auto sales retreated 0.6% following a strong 1.3% gain. Excluding automobiles, sales are also down by 0.4%. Aside from automobiles, sales dropped sharply for electronics stores, department stores and leisure goods stores.
- Gas station sales tumbled 2.2% after jumping 5.4% in February. Excluding autos and gas, sales declined 0.1%.
- Consumer confidence deteriorated in April according to the University of Michigan survey. The index went from 78.6 to 72.3, its lowest level since December 2011.

COMMENTS

The first two months of 2013 had showed better-than-anticipated resilience by U.S. consumers, given that they were facing numerous headwinds, such as the tax increases ordered at the start of the year and high gas prices. March’s drop by retail sales should primarily be seen as a pullback following growth that was better than forecast, particularly in February.

The 0.4% retreat by sales is still disappointing, given that the consensus had been calling for sales to be flat. The drop in auto sales is bigger than forecast, as is the decrease in sales excluding automobiles and gas. They had not contracted since October. The main concern stems from electronics stores, which have now posted eight monthly retreats in 12 months. Department stores are also having a tough time, with an annual change of -7.6%.

April’s dip by confidence does not point to a rapid comeback by consumer spending. The Conference Board index had declined in March and the Michigan index confirms this retreat.

Implications: March’s drop by retail sales does not wipe out all of the advances made in previous months. Growth by real consumption should thus be fairly strong in the first quarter of 2013, contributing to a good real GDP increase. The situation is looking tougher for the second quarter, however.

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