UNITED STATES

Disappointing retail sales growth in June

HIGHLIGHTS

- Retail sales rose by 0.4% in June after a 0.5% uptick in May.
- Sales of motor vehicles were up by 1.8% after a 1.4% gain in May. Excluding motor vehicles, sales were flat.
- Apart from motor vehicles, we note solid sales increases among furniture stores and nonstore retailers.
- Service station sales edged up by 0.7% as did those of clothing boutiques and leisure goods stores. Excluding automobiles and gasoline, sales dipped by 0.1% in June, their first slump in a year.
- Department stores, renovation centres, grocery stores and food services all posted a drop in sales in June.

COMMENTS

Just when consumer confidence is on an upwards trajectory, the June retail sales data are particularly disappointing. The 0.4% growth in total sales is half what the consensus had been anticipating. The gain comes almost entirely from the auto sector; without that contribution, sales would be static. Moreover, even motor vehicle sales did not meet expectations, since the data on new vehicle sales that were released at the beginning of the month had offered hopes of sharper acceleration. The limpness in total sales is all the more surprising, given that 37,100 jobs were created by retailers in June, not to mention the 51,700 new jobs in food services, where sales nevertheless fell by 1.2% in June, the largest decline since February 2008.

The 2.2% slump in sales at renovation centres does hurt, but it follows two straight months of strong growth. We are more concerned about the downturns in sales of electronic products, which have posted only one significant monthly gain so far this year, and about department store sales, which are on a steady downwards slope.

Implications: Despite the disappointing June numbers, sales growth is still relatively sound for the second quarter as a whole, although a slight deceleration in real consumption is foreseeable, compared with the gain of last winter. We will have to wait for the second half of the year to see renewed confidence stimulate spending by U.S. households to a greater extent.

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