United States

Retail sales and confidence disappoint

 Highlights

• Retail sales ticked up by just 0.2% in August after a 0.4% gain (revised from 0.2%) in July.
• Automobile sales rose by 0.9% after a 0.5% slump in July. Excluding automobiles, sales were up by 0.1%.
• Apart from automobiles, we note good sales gains at furniture and electronics stores. Service station sales were stable. If we exclude cars and gasoline, sales edged up by 0.1% in August after a 0.6% gain in July.
• Clothing boutiques, renovation centres and sporting goods and hobby stores recorded a drop in sales in August.
• The University of Michigan’s consumer confidence index was down, according to the preliminary version for September. It tumbled from 82.1 to 76.8, its lowest point since April.

 Comments

The meagre 0.2% increase in retail sales is disappointing, given that the consensus was expecting growth of at least twice that. Even the performance by car dealerships falls somewhat short of the expectations that were raised by the rally in new car sales that was reported at the beginning of the month. The strong increase in jobs at retailers also seemed promising. Contrary to the previous months, it was mainly sales of non-durable goods that were disappointing in August. The 0.8% decline in clothing sales is the largest since April 2012. As far as durable goods are concerned, we are pleased with the growth in sales of furniture and electronics, after fairly lacklustre numbers. We would point out that the revision to the July data makes up, to some degree, for the slack sales numbers in August.

The decline in household confidence is also very discouraging. The deterioration from July’s peak is starting to assume considerable proportions, and the household expectations component has fallen to its lowest level since January. The prospect of U.S. military intervention in Syria may be one reason for the index’s slide in September.

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Implications: Retail sales growth fell short of expectations, and the decline in consumer confidence is greater than anticipated. It will therefore be a while yet before consumption accelerates. These data are a further contribution to the ambiguity that is currently characterizing U.S. economic indicators.