



UNITED STATES

Larger-than-expected drop in retail sales

HIGHLIGHTS

- Retail sales fell 0.3% in September following a 0.6% gain in August, marking the first drop since January. Auto sales retreated 0.8% following a strong 1.9% gain. Excluding automobiles, sales were down 0.2%.
- Most retail categories have posted a decrease in sales. The strongest contractions stem from clothing stores, renovation centres and nonstore retailers. Gas stations saw their sales slow by 0.8% due to lower gas prices. Excluding autos and gas, sales declined 0.1%.
- There were small increases in sales in drug stores, general merchandise stores and in food services. Electronics store sales jumped 3.4%, the strongest growth since April 2013.

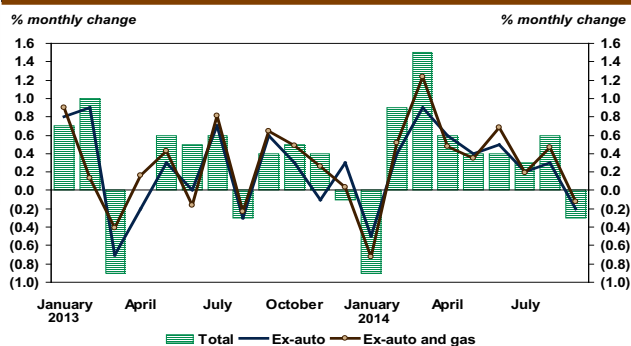
COMMENTS

Sales were expected to be down in September following the rise observed in August. This expected contraction was to be the result of the automobile sector (based on the release of new auto sales data at the beginning of the month) and of gas station sales. The retreat recorded in September was more pronounced, and even more widespread. The consensus had been calling for a 0.4% increase in sales, excluding autos and gas, but a 0.1% contraction was observed instead. This is the most disappointing result.

The only positive point in the data released today is the rebound in electronic goods sales. This sector has been rather slow these past several months, with an annual change in sales of 1.7% in August, considerably weaker than overall retail sales (5.0%). However, this improvement, which in one shot pushed the annual change to 5.8%, could be fleeting because it mainly stems from the arrival of new Apple phones on the market. A retreat should materialize beginning in October.

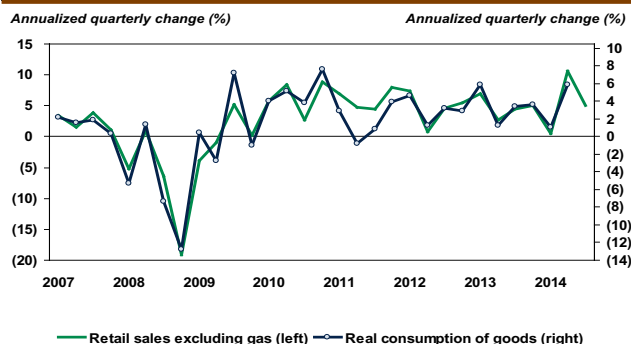
Implications: The underperformance of retailers is not too worrisome for third-quarter growth, and real consumption of goods should perform rather well. However, lower retail sales add to other rather disappointing data published in

Retail sales fell in September



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

Despite September's drop in sales, growth by real consumption of goods promises to be good in Q3



Sources: U.S. Census Bureau, Bureau of Economic Analysis and Desjardins, Economic Studies

recent weeks. As such, the drop magnifies the gloom and doom that has overshadowed financial markets for a month now, and makes the outlook a little more uncertain for the rest of the year.

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