

UNITED STATES

Disappointing drop in retail sales in December

HIGHLIGHTS

- Retail sales fell 0.9% in December. This pullback follows a 0.4% gain in November (revised from 0.7%). Auto sales contracted by 0.7% after jumping 1.6% in November. Excluding automobiles, sales were down 1.0%.
- Gas stations saw their sales slow by 6.5% due to lower gas prices. Excluding autos and gas, sales were down 0.3% following a 0.6% gain in November.
- Aside from autos and gas, most retail categories have posted a decrease in sales. The sharpest drops were in renovation centres and electronics stores. Clothing stores, department stores and nonstore retailers also saw pullbacks.
- For 2014 overall, retail sales increased 3.9%. If we exclude autos and gas, the annual increase is 3.8%, a modest acceleration compared to the 3.6% observed in 2013.

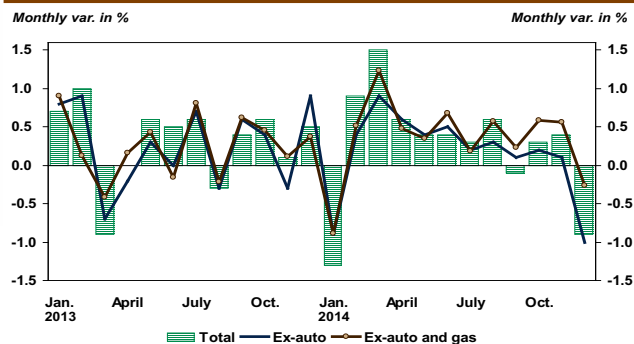
COMMENTS

Total retail sales were expected to fall in December given the impact of lower gas prices on the value of gas station sales. This negative impact actually materialized, and nominal gas sales plummeted 6.5%, the worst drop since December 2008. This triggered a 0.6 percentage point bite out of growth in total sales.

However, the rest of retailers posted a disappointing performance. With improved confidence, strong job growth and lower gas prices (which leaves a greater share for other kinds of expenses), we would have expected a robust gain in sales excluding gas. Instead, we see the worst decrease since January 2014's very difficult winter conditions. However, it should be noted that in certain categories (autos, clothing, renovation, department stores), December's weak sales follow strong growth in November.

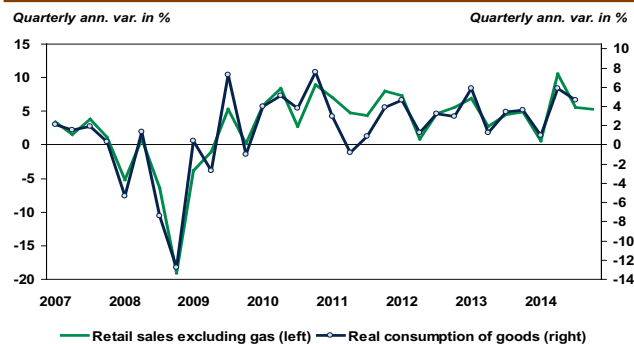
Implications: U.S. households showed caution in December, but sooner or later consumer spending should benefit from the numerous positive factors currently present in the United States. Yet with weak salaries, this type of result will also prompt the Federal Reserve to show caution and patience.

An unexpected decrease in sales excluding autos and gas



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

Growth in real consumption is expected to be a little weaker in the fourth quarter



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

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