



UNITED STATES

Winter delivers a blow to retail sales

HIGHLIGHTS

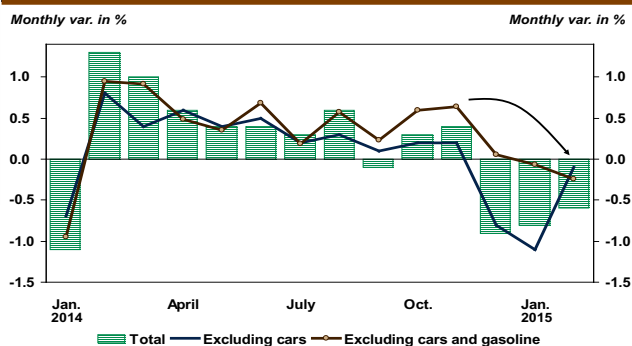
- Retail sales fell by 0.6% in February after drops of 0.8% in January and 0.9% in December. Automobile sales contracted by 2.5% after a gain of 0.5%. If we exclude automobiles, sales slipped by 0.1%.
- Apart from automobiles, many other categories of retailers recorded a slump in sales. The sharpest drops were at renovation centres, department stores and electronics stores.
- For the first time since May 2014, gas stations saw the value of their sales increase, by 1.5%. Grocery stores, sporting and leisure goods stores, and nonstore retailers are the only other categories that saw gains in February. Excluding cars and gasoline, sales dipped by 0.2% after a 0.1% downtick in January.

COMMENTS

Given that the consensus was expecting slight growth in retail sales, the 0.6% downturn that was released this morning comes as quite a nasty surprise. It is increasingly obvious that the harsh weather conditions that have battered many parts of the United States since the beginning of the winter have encouraged consumers to stay home. We see this in the 0.6% pullback in food services sales (whereas grocery sales increased by 0.5%). We also note a 2.3% slump in sales at renovation centres. Automobile sales are also weaker than expected. In the latter instance, apart from the bad weather, supply problems linked to the labour dispute at West coast ports may have been a negative factor.

Implications: Retail sales are on a disquieting negative trend. In view of our belief that weather has played a significant role in this disappointing state of affairs, it is reasonable to expect a rebound sooner or later. If the consumption trend moves close to what the confidence indicators and job growth are suggesting, the second quarter numbers will be much better than what we have seen so far at the beginning of 2015. In the meantime, these adverse data do nothing to make the Federal Reserve's job easier, considering that it

Sales excluding cars and gasoline are on a disappointing trend



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

Barring a sales rally in March, real consumption growth will be very weak in the first quarter



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

appeared to be tempted to drop the concept of “patience” from its statement.

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