UNITED STATES
Disappointing increase in retail sales and drop in manufacturing in August

HIGHLIGHTS

- Retail sales rose 0.2% in August after gaining 0.7% in July (revised from 0.6%). Auto sales increased 0.7% after more lively growth of 1.3% in July. Excluding automobiles, sales are only up by 0.1%. Aside from autos, almost all retail categories posted an increase. Gas station and renovation centre sales nevertheless fell 1.8%, while furniture sales pulled back 0.9%. Excluding autos and gas, sales were up 0.3% following a 0.7% increase in July.
- Industrial output pulled back 0.4% in August after strong growth of 0.9% in July (revised from 0.6%). Manufacturing output contracted by 0.5%. Mining activity decreased 0.6%, while energy production advanced 0.6%. The industrial capacity utilization rate went from 78.0% to 77.6%.

COMMENTS

We can be relieved that the weakness of the monthly change in retail sales is partly offset by the upgrade of previous data. Plus, only a few sectors hindered total sales growth. The drop in gas station sales was largely predictable given the pullback in gas prices recorded in August.

As for industrial output, a pullback was expected, particularly in the automobile sector, which dropped 6.4% after gaining 10.6% in July. Excluding autos, manufacturing output was flat. The industrial capacity utilization rate dropped again in August, continuing a downtrend caused by the problems in the oil industry. This situation is also embodied in weak business investment in the United States.

Implications: The slowdown in retail sales in August is not too worrisome and solid growth in real consumption is expected for Q3. As for industrial output, the pullback was expected and the strength of automobile sales should prompt a recovery in manufacturing over the next few months. The data released today do not provide any additional indication as to whether the Federal Reserve will increase or keep its key rates the same later this week.