Economic News

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April 13, 2016

UNITED STATES

Retail sales dip again

HIGHLIGHTS

- Retail sales fell 0.3% in March after stagnating in February (revised from -0.1%).
- Auto sales dropped 2.1%. Excluding automobiles, sales advanced 0.2%.
- Food services, clothing stores and department stores saw sales retreat.
- Increases came primarily at building centres and personal care stores. The value of service station sales rose 0.9%. Excluding cars and gas, sales ticked up 0.1% on the heels of a 0.6% gain (revised from 0.3%).

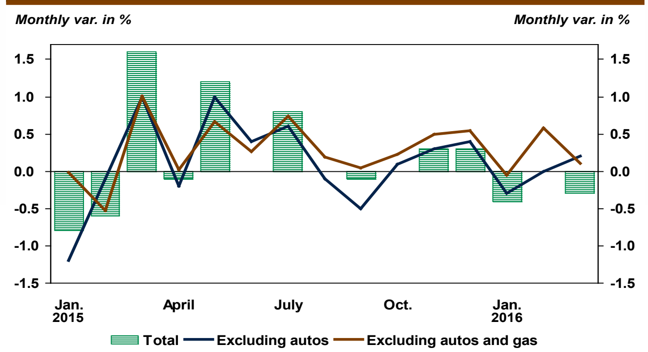
COMMENTS

The results for March's retail sales are disappointing. Some weakness in the motor vehicle sector was to be expected given the new vehicle sales published at the start of the month, but the retreat is steeper than anticipated. Service station sales were also expected to bounce back strongly as the national average for prices at the pump had gone up substantially. The 0.9% gain posted there is well below expectations.

Excluding motor vehicles and gas, we were also expecting a better performance. The consensus forecast was for an increase of 0.3%. The gain was just 0.1%. However, the good news is that the revision for February is positive, doubling the increase for the month from 0.3% to 0.6% and making February's growth the best monthly advance since July 2015. However, much of the positive performance in the last two months comes from building centres, a component that is more associated with residential investment than personal consumption.

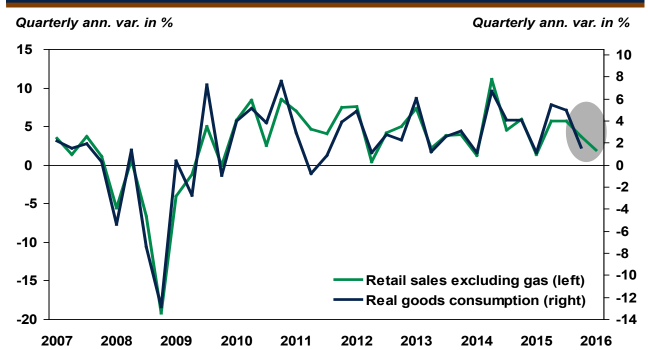
Implications: Total sales have yet to post a monthly increase in 2016 and consumption growth has clearly weakened in the first quarter. Despite the solid progress made by the labour market and income, durable goods consumption could even be negative, for the first time since 2011. March's retreat by food services also suggests that the service sector will have trouble making up for the weakness on the merchandise side. It is therefore increasingly likely that U.S. real GDP growth for the first quarter will come in below the 1% mark.

Retail sales are still disappointing



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

Goods consumption will be soft in Q1



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

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