



UNITED STATES

Retail sales post an encouraging rebound

HIGHLIGHTS

- Retail sales jumped 1.3% in April on the heels of March's 0.3% slide.
- Auto sales went up 3.2%. Excluding automobiles, sales advanced 0.8%.
- Other noteworthy increases include those by nonstore retailers, clothing boutiques and grocery stores. The value of service station sales went up 2.2%. Excluding autos and gas, sales went up 0.6%, after a much smaller 0.2% gain.
- Sales at renovation centres went down after posting two months of good growth.

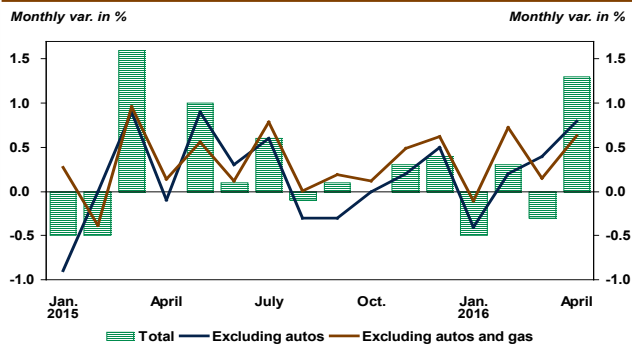
COMMENTS

The results for April's retail sales are very encouraging after some disappointing months in which modest upticks were followed by declines. The monthly 1.3% gain is the biggest since March 2015 and comes in well above the consensus forecast, which was calling for fairly strong 0.8% growth. What is especially interesting is that this performance came in a month in which the news on consumer confidence were rather disappointing.

Growth was fairly widespread among the types of retailers. It was pretty clear that the auto sector would do well. Furthermore, the rise by gas prices clearly indicated an upswing in the value of service station sales. April's solid performance by retailing goes well beyond these two sectors, however. For example, for clothing, the 1.0% increase is the biggest since May 2015; the six previous months showed an average monthly change of -0.1%. Online purchases posted their best monthly growth since June 2014. That was also the last time we saw stronger growth by grocery stores. For the first time since the summer of 2015, electronics stores recorded two straight months of increases, in March and April.

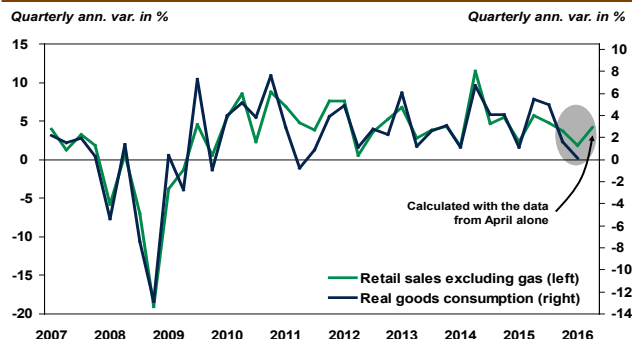
Implications: April's retail sales performance is reassuring news for the strength of the U.S. economy and indicates a possible rebound by consumption and real GDP in the

Biggest rise by retail sales since March 2015



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

Goods consumption will no doubt be better over the whole second quarter



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

second quarter. More results like this would increase the chances of the Federal Reserve opting for a second key rate increase at its June meeting.

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