



## UNITED STATES

### U.S. consumption is looking up

#### HIGHLIGHTS

- Real consumption jumped 0.6% in April after remaining flat in March. Spending on durable goods rose 2.2%, thanks in particular to the auto sector (+5.4%). Consumption of non-durable goods advanced 0.7% and consumption of services rose 0.4%. Real disposable personal income increased 0.2%.
- The Conference Board's consumer confidence index eroded again in May, going from April's 94.7 to 92.6, its lowest point since November 2015. The pullback stems mainly from the current situation component (-4.2 points) rather than the expectations component (-0.7 points).

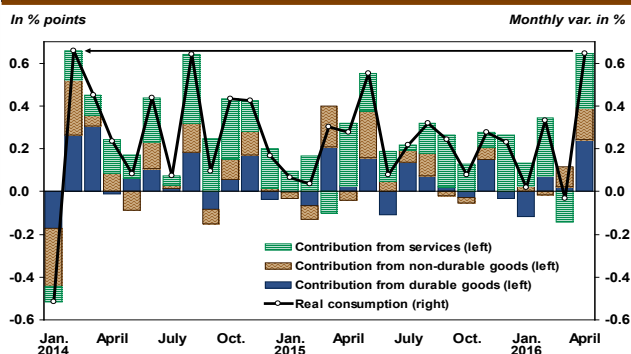
#### COMMENTS

Fairly sluggish for several months, consumer spending has finally rebounded in the United States. The performance by retail sales suggested the results would be good, but the gain is stronger than the consensus forecast. If we look at two decimal places, April's monthly change is the best since February 2014. It is interesting to see that growth is well distributed across the various goods and services. Aside from the auto sector, in real terms, clothing went up 1.3%, furniture is up 1.1%, and recreational goods are up 1.4%. Real consumption of services got a temporary leg up from the rebound by energy demand (+9.1%) following the mild winter. However, we can expect this contribution to be slighter in the coming months. A pullback there could, however, be offset by better spending on food services after a disappointing March (-0.3%) and April (+0.1%).

Unfortunately, the recent trend of the Conference Board confidence index suggests that the constraints that had been limiting consumption growth have not all dissipated. Although spending was strong in April, we cannot be certain that upcoming results will be as robust. Note, however, that the other confidence indexes are showing better results.

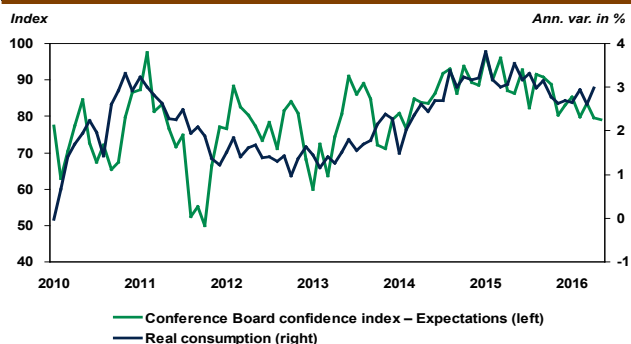
**Implications:** After a fairly modest first-quarter gain, consumption growth should be better this spring. One

#### Best monthly growth by consumption since 2014



Sources: Bureau of Economic Analysis and Desjardins, Economic Studies

#### The confidence level suggests the rebound by consumption will not last



Sources: Conference Board, Bureau of Economic Analysis and Desjardins, Economic Studies

month in, the carryover is already 3.0% (annualized). It therefore seems that the rebound by real GDP hoped for in the second quarter is materializing; this should favour a key rate increase from the Federal Reserve at its June meeting.

**Francis Généreux**  
Senior Economist

**François Dupuis**  
Vice-President and Chief Economist

**Hélène Bégin**  
Senior Economist

**Benoît P. Durocher**  
Senior Economist

**Francis Généreux**  
Senior Economist

514-281-2336 or 1 866 866-7000, ext. 2336  
E-mail: [desjardins.economics@desjardins.com](mailto:desjardins.economics@desjardins.com)

NOTE TO READERS: The letters **k**, **M** and **B** are used in texts and tables to refer to thousands, millions and billions respectively.

IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2016, Desjardins Group. All rights reserved.