



Cooperation Week – October 16 to 22, 2016

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October 14, 2016



UNITED STATES

Retail sales rebound after a disappointing summer

HIGHLIGHTS

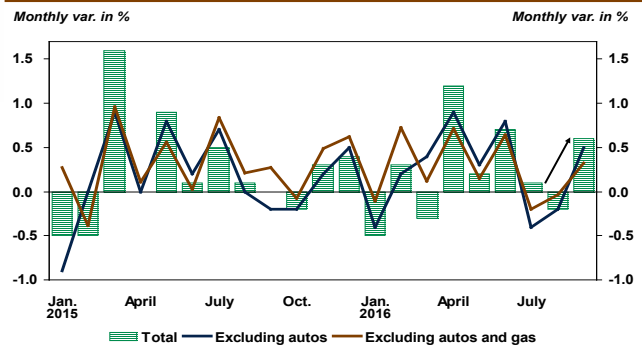
- Retail sales rose 0.6% in September after dropping 0.2% in August and rising a modest 0.1% in July.
- Auto sales went up 1.1%. Excluding automobiles, sales advanced 0.5%.
- Other increases include building centres, recreational goods stores, and furniture retailers. The value of service station sales jumped 2.4%. Excluding autos and gas, sales went up 0.3% after stagnating in August. Retail sales fell at department stores and personal care stores.
- According to the preliminary version of the University of Michigan index, consumer confidence eroded in October, sliding from 91.2 to 87.9.

COMMENTS

After a good spring, household consumption was showing worrisome signs this summer. For the first time since 2012, sales excluding motor vehicles and gas posted two straight monthly declines. September's upswing is therefore rather encouraging. Also, as in the second quarter, price effects are probably moderating the recent retail sales growth, as they are expressed in current dollars. The effect should be noteworthy for food. For its part, the rebound in food services, with gains of 0.7% in August and 0.8% in September, points to solid third-quarter growth by the service sector.

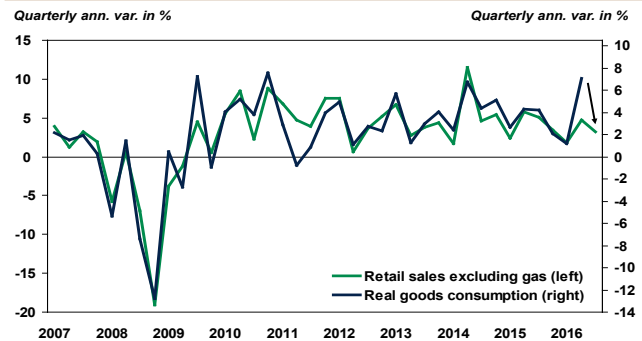
Implications: The improvement in retail sales suggests that household consumption is maintaining its momentum. The gain was probably smaller in the third quarter than in the second, but the contribution to real GDP growth should still be substantial. The drop by the University of Michigan confidence index is not too much of a concern against the backdrop of the current election. Also, other indexes, particularly the Conference Board index, have been showing a more positive trend recently. These factors

After a disappointing summer, retail sales strengthened in September



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

Consumption should slow in the third quarter, but growth will remain relatively good



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

quietly pave the way for a Federal Reserve key interest rate increase after the election.

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