



UNITED STATES

More firm growth in retail sales

HIGHLIGHTS

- Retail sales ticked up by 0.8% in October after a 1.0% gain in September (revised up from 0.6%).
- Automobile sales rose by 1.1%. If we exclude those, sales were still up by 0.8%.
- Increases were also noted at renovation centres, sporting goods and hobby stores, supermarkets and nonstore retailers. The value of service station sales jumped by 2.2%. Excluding cars and gasoline, sales were up by 0.6% after a 0.5% gain in September.
- Retail sales fell at department stores, furniture stores and food service establishments.

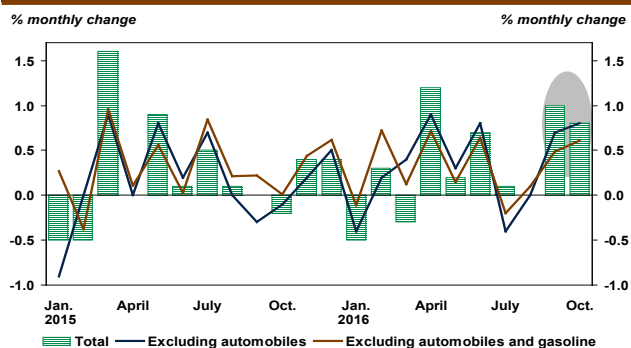
COMMENTS

The summer was disappointing for retail sales, but the autumn is already showing strong improvement. Growth in October was more robust than expected. In addition, the September growth was revised upwards by 0.4%. As a result, the growth over two months is the strongest recorded since the spring of 2014. Obviously, a boost has been received from the vigorous performance by the auto sector and the inflation of service station sales values due to higher gasoline prices. However, even if we exclude cars and gasoline, the growth over two months is still very good—in fact, the best since November 2014. Thus it would appear that Hurricane Matthew did not have any negative repercussions on sales, although some impact was noted on employment.

After very strong growth (4.3%) in the spring, real consumption slowed in the third quarter, posting an annualized gain of 2.1%. These October sales herald a far better result for the last quarter of the year. Looking forward, everything will depend on holiday shopping, which will get underway as Thanksgiving approaches.

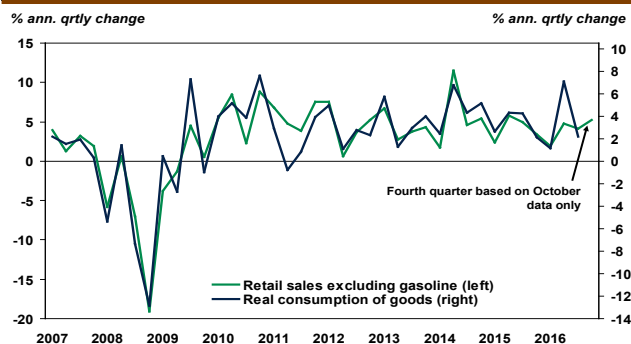
Implications: The autumn is getting off to a good start for U.S. retailers. After a rather rough summer, sales rallied in September and October. It remains to be seen whether

Two consecutive months of strong growth in retail sales



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

Retail sales are pointing towards better consumption growth in the fourth quarter



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

the holiday sales will be up to snuff and, more importantly, whether confidence holds firm. At this point, indications are that the Federal Reserve will probably raise its key interest rates in December.

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