

ECONOMIC NEWS

U.S. retail sales: a disappointing end to the year

HIGHLIGHTS

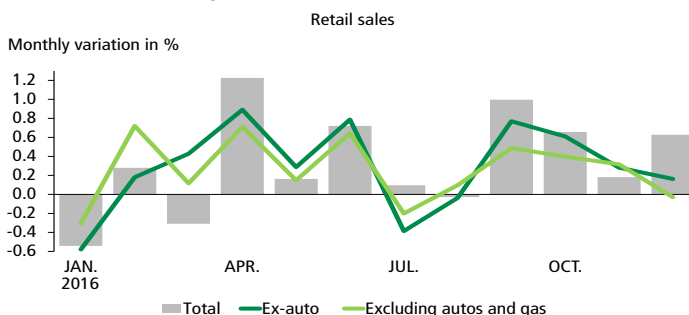
- ▶ Retail sales rose 0.6% in December after gaining 0.2% in November.
- ▶ Motor vehicle sales jumped 2.4%. Excluding automobiles, sales are only up by 0.2%. The value of gas station sales grew 2.0%. Excluding autos and gas, sales idled.
- ▶ Besides these two sectors, retail sales at nonstore retailers grew considerably. We also note increases for furniture stores, renovation centres and personal care stores.
- ▶ Grocery and clothing store sales stagnated. Sales slipped in department stores, electronics stores and food services.
- ▶ For 2016 as a whole, retail sales were up 3.0% following a 2.3% increase in 2015. Excluding gas station sales, annual growth is 3.8%, the weakest since 2009.

COMMENTS

Even though the result for total sales is fairly close to consensus expectations, there is some disappointment in the results released today. Better-than-expected performance by the automobile industry and the increase in gas prices that inflated gas stations sales hide the stall recorded by the rest of retailers. The holiday season was therefore disappointing, particularly with a second month of stagnation in clothing and a second straight decline for department stores. Added to that is the 0.8% pullback in food services (following a 1.2% gain in November) that risks having a negative impact on consumption of services. However, there is hope that the weakness in sales stems from the following two factors. The first is cold weather following a particularly warm fall, a phenomenon with temporary effects. The second is the strength of the U.S. dollar that reduced the value of goods sold, something that will not materialize in real consumption. Consumer price index data will provide more information on this point next week.

GRAPH

U.S. retail sales growth in December stems mainly from the automobile industry



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

IMPLICATIONS

Even though consumer confidence indexes have improved nicely for a few months now, weak retail sales excluding autos and gas are disappointing. Let's hope that the start of 2017 is more encouraging and is more reflective of the better mood of households. If, like in past years, growth turns out to be slow at the beginning of the year, we can expect the Federal Reserve to wait until June to start raising key rates.

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