

ECONOMIC NEWS

United States: Retail sales slow

HIGHLIGHTS

- ▶ Retail sales rose just 0.1% in February after gaining 0.6% in January (revised from 0.4%).
- ▶ Motor vehicle sales fell 0.2%, while the value of service station sales retreated 0.6%. Excluding autos and gas, sales went up 0.2% following an increase of 1.1% in January (revised from 0.7%). There were substantial increases at building centres, nonstore retailers, furniture and personal care stores. The biggest drops came from electronics stores, department stores and clothing boutiques.
- ▶ The consumer price index (CPI) rose 0.1% in February following January's large, 0.6% surge. Energy prices dropped 1.0%, driven by a 3.0% decline in gas prices. The core index, which excludes food and energy, rose 0.2%. The total CPI's annual change went from 2.5% to 2.7%, while core inflation retreated from 2.3% to 2.2%.

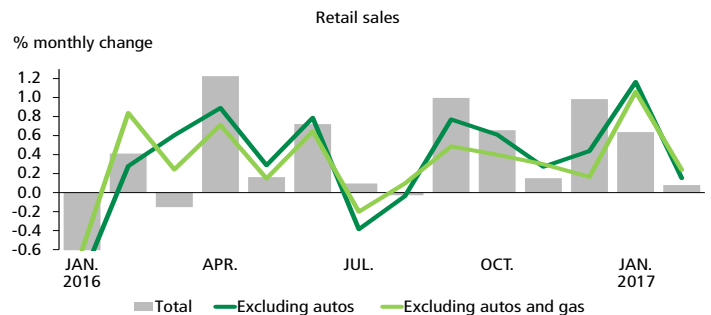
COMMENTS

Consumer confidence has posted an impressive improvement since last fall, which led to general hopes of solid growth by household consumption. However, the data leaves something to be desired, with the weakest retail sales growth since August 2016. It points to another poor performance by monthly consumption. Even in real terms, the data does not seem any better. For example, the value of sales by clothing boutiques fell 0.5%, despite a 0.6% price increase. The weakness in food services is also disappointing: sales fell 0.1%, although February's unusually warm weather had raised hopes of a better performance. Note that the mild weather will probably trigger another big drop in heating demand, which will result in a decline in real consumption of services for February. In fact, the main good bit of news is the upgrade to January's numbers.

As for consumer prices, the monthly change in the indexes is fairly consistent with the consensus forecast. Most noteworthy is a welcome lull following the 0.6% jump prices took in January (the biggest increase since February 2013). The increase by total

GRAPH

U.S. retail sales growth was anaemic in February



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

inflation is not too worrisome, as it primarily comes from base effects as the CPI tended to decline in early 2016.

IMPLICATIONS

February's movement by retail sales suggests that consumption and economic growth could be disappointing in the first quarter of 2017. Despite that, the job market is solid and inflation is stronger; this will prompt the Fed to increase key rates, in particular at today's meeting.

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