United States: Retail Sales Are Doing Better

HIGHLIGHTS

- Retail sales rose 0.8% in May, after gaining 0.4% in April.
- Motor vehicle sales were up 0.5%.
- Buoyed by higher gas prices, the value of service station sales jumped 2.0% after a 1.0% increase in April. Excluding motor vehicles and gas, sales rose 0.8%, which is the best growth since November 2017.
- Apart from service stations, the strongest sales increases were in renovation centres (+2.4%), department stores (+1.5%), clothing stores (+1.3%), food services (+1.3%) and “miscellaneous” (+2.7%).

COMMENTS

May’s good showing for retail sales is great news and comes as a positive surprise. The consensus expected monthly growth to be only half that much, i.e. 0.4%. The sales momentum that started in March seems to be still going. 2018 had started off badly for household spending, despite the positive effect of tax cuts on Americans’ disposable income. The impact on consumption seems to have been delayed; the recent increase in sales is closer to what we could have expected in view of consumer confidence indexes, the performance of the job market and the reduced tax burden.

IMPLICATIONS

Both consumption and real GDP should bounce back in Q2 after a disappointing first quarter. The economy’s improved performance will comfort the Federal Reserve, which is now projecting two further key rate hikes by the end of the year.

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