United States: Holiday Shopping Season Off to a Good Start

HIGHLIGHTS
- Retail sales rose 0.2% in November after going up 1.1% (revised from 0.8%) in October. Motor vehicle sales climbed 0.2%, but the value of service station sales fell 2.3%. Excluding autos and gas, sales rose 0.5% after going up 0.7% (revised from 0.3%) in October. The strongest gains were at electronics stores, furniture stores and nonstore retailers.
- Industrial output increased 0.6% in November after sliding 0.2% in October (revised from +0.1%). Manufacturing output stagnated. Mining activity saw a 1.7% increase, while energy production jumped 3.3%.

COMMENTS
At first glance, retail sales growth in November appears to be disappointing. However, if we look beyond the negative effect of the drop in gas prices, the situation appears much better. This is the first time since the end of winter 2017 that sales excluding motor vehicles and gas posted increases in excess of 0.5% for two consecutive months. Retail sales thus continue to reflect high levels of consumer confidence. The spike in electronic stores sales and online shopping may be a reflection of Black Friday enthusiasm. There is thus a risk of early holiday shopping that could have a negative impact on December sales. This will have to be monitored next month. We also note that November’s cold weather affected food services (-0.5%), which may be reflected in real consumption of services.

This effect from the November weather is counterbalanced by increased heating demand, which led to the biggest jump in energy production since April. In terms of industrial output, we also note a slowdown in manufacturing, where stagnation followed a 0.1% drop in October and a modest 0.2% jump in September. The annual change in industrial production went from a recent high of 3.7% in September to 2.0% in November, possibly as a result of rising protectionism.

IMPLICATIONS
Strong retail sales growth suggests that fears of a slide in the U.S. economy in the very short term are overblown. Consumer confidence remains high despite the movements on the financial markets, and this is reflected in consumption that will remain strong in the fourth quarter of 2018. The data released today provide Federal Reserve leaders with arguments to continue monetary tightening.