

ECONOMIC NEWS

United States: Retail Sales and Industrial Production Saw Solid Increases in May

HIGHLIGHTS

- ▶ Retail sales rose 0.5% in May, after gaining 0.3% in April (revised from -0.2%). Motor vehicle sales climbed 0.7%, while the value of service station sales rose 0.3%. Excluding motor vehicles and gas, sales were also up 0.5% after a 0.3% increase (revised from -0.3%). The strongest growth came from nonstore retailers (+1.4%), electronics stores (+1.1%), and leisure goods stores (+1.1%).
- ▶ Industrial production increased 0.4% in May after sliding 0.4% in April (revised from -0.5%). Manufacturing production gained 0.2%. Activity in the mining sector was up 0.1%. Energy production jumped 2.1% after falling 3.1% in April.

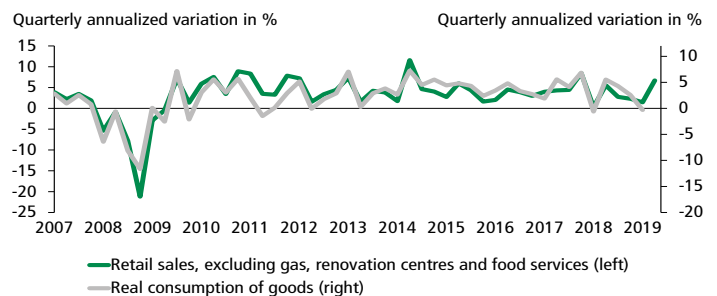
COMMENTS

As expected, retail sales saw fairly solid growth in May. The 0.5% increase was close to the consensus forecast of a 0.6% gain. The growth recorded in May was also well distributed among the various types of retailers. Only two significant declines were noted: in department stores and in the “miscellaneous” category. Lastly, the data released today present a major upward revision of the results for April; declines have now given way to notable increases. Household consumption therefore seems good so far this spring.

The increase in industrial production is slightly higher than expected. Of particular note is manufacturing’s first monthly increase since the end of 2018. This gain is essentially due to the motor vehicle sector, whose production jumped 2.4% after falling 0.8% in April and 1.4% in March. Without this contribution, manufacturing production would have been at a standstill. It was nonetheless down 1.5% from its December high. The drop in industrial production was 0.9% overall. May’s leap in energy production (coupled with the 0.7% increase in food services spending from retail sales) should be reflected in fairly strong growth in real consumption of services.

GRAPH

Retail sales suggest solid strides in the consumption of goods in the second quarter of 2019



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

IMPLICATIONS

Compared to the same announcements a month ago, the indicators released today bode well. Retail sales point to an improvement in real consumption after a disappointing first quarter, while manufacturing seems to finally be stabilizing. However, the question is whether this will be enough to reassure the Federal Reserve, as low inflation and financial market pressures could prompt it to open the door to future key rate cuts.

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