

ECONOMIC NEWS

United States: Production Falls Again and Retail Sales Up Slightly

HIGHLIGHTS

- ▶ Retail sales advanced 0.3% in October after declining 0.3% in September. Motor vehicle sales climbed 0.5% and service station sales jumped 1.1%. Excluding motor vehicles and gasoline, sales were up a mere 0.1% after a 0.1% decrease.
- ▶ Industrial output increased 0.8% in October following September's 0.3% decline. Manufacturing production fell by 0.6%. Mining activity decreased 0.7%, while energy production retreated 2.6%.

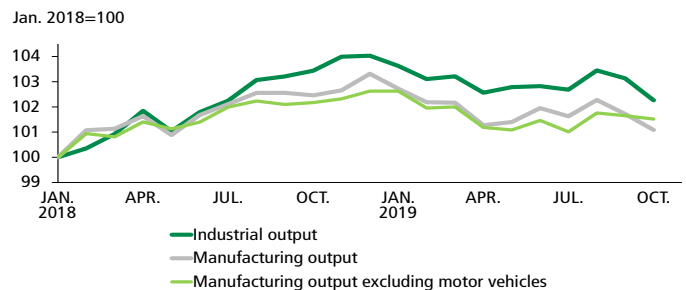
COMMENTS

After September's weakness, better growth in retail sales was expected. The 0.3% gain meets these expectations in part, but the details remain fairly disappointing. Aside from motor vehicles and gasoline, only a few sectors, led by online stores (+0.9%), contributed to higher sales. Furniture (-0.9%), electronics (-0.4%), renovation centres (-0.5%), clothing stores (-1.0%), recreational goods (-0.8%) and food services (-0.3%) all posted lower sales in October. Prices may have had an impact on these poor performances. For example, clothing prices fell 1.8% according to the Consumer Price Index. As a result, spending could show signs of growth in real terms.

The trend in industrial output is even more negative. There were expectations that the strike at General Motors (GM) would continue to have a negative impact on output. However, even if the motor vehicle sector (which plunged 7.1%) is not included, industrial output dipped 0.5% and manufacturing 0.1%. The other sectors were therefore weaker than anticipated. Of particular note is the plunge in energy production, which should also show up in the personal consumption of services. Overall, industrial output is currently sitting at 1.7% below the peak it reached in December 2018. On a brighter note, the return to work at GM in November should help regain some of the ground lost.

GRAPH

Industrial output and manufacturing are down once again



Sources: Federal Reserve Board et Desjardins, Economic Studies

IMPLICATIONS

It's a disappointing start to the last quarter of 2019. Several types of retailers experienced setbacks, as well as several industrial sectors. The Federal Reserve signalled a period of status quo, but the disappointments must not pile up.

Francis Généreux, Senior Economist

François Dupuis, Vice-President and Chief Economist • Mathieu D'Anjou, Deputy Chief Economist
Hélène Bégin, Senior Economist • Benoit P. Durocher, Senior Economist • Francis Généreux, Senior Economist

Desjardins, Economic Studies: 514-281-2336 or 1 866-866-7000, ext. 5552336 • desjardins.economics@desjardins.com • desjardins.com/economics

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2019, Desjardins Group. All rights reserved.