

ECONOMIC NEWS

United States: Retail Sales and Confidence Edge Up, but Manufacturing Retreats Again

HIGHLIGHTS

- ▶ Retail sales advanced 0.3% in January after gaining 0.2% in December. Motor vehicle sales rose 0.2% and service station sales fell 0.5%. Excluding motor vehicles and gasoline, sales were up 0.4% after a 0.5% increase.
- ▶ Industrial production fell 0.3% in January following December's identical decrease. Manufacturing output retreated 0.1%. Mining activity saw a 1.2% increase, while energy production fell 4.0%.
- ▶ The University of Michigan consumer confidence index improved in February, going from January's 99.8 to 100.9, its highest point since March 2018.

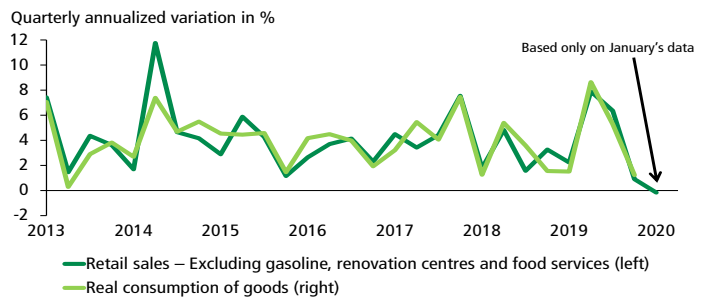
COMMENTS

January's retail sales growth was fairly consistent with the consensus forecast. However, the breakdown by type of retailer spotlights some weaknesses, including a 0.5% decline by electronics stores, and a 3.1% tumble in clothing sales (even though clothing prices rose 0.7% according to the consumer price index released yesterday). Outside of the "other" category, the main increases in sales came at renovation centres (+2.1%), which pertain more to residential investment, and food services (+1.2%), which are recorded under consumer spending. Despite strong household confidence, real consumption of goods is therefore rather weak at the start of 2020.

Industrial production has posted only one monthly increase—in November—in the last five months. The trend remains disappointing, and January's output was at 1.2%, below the December 2018 cyclical peak. The 0.1% downtick in manufacturing occurred despite a 2.4% jump by the auto sector. It seems that it is now Boeing's problems that are affecting it, since the aerospace sector plunged 7.4%, its worst decline since

GRAPH

Real consumption of goods seems to be getting 2020 off to a poor start



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

September 2008. The new decline in energy production, for its part, is once again due to the milder weather, a situation that should be temporary.

IMPLICATIONS

Without being really worrisome, the indicators released today for January nevertheless suggest fairly slow growth. The level of household confidence is still encouraging, but we must also consider the risks posed to February's output by the coronavirus in China. Under the circumstances, the Federal Reserve should continue to closely monitor the situation.

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 © 2020, Desjardins Group. All rights reserved.