

ECONOMIC NEWS

United States: Retail Sales Down in February, Industrial Output Picks Up

HIGHLIGHTS

- ▶ Retail sales fell 0.5% in February, after gaining 0.6% in January (revised from 0.3%). Motor vehicle sales dropped 0.9%, while service station sales tumbled 2.8%. Excluding autos and gas, sales were down 0.2%, following a 0.7% uptick in January.
- ▶ Industrial output jumped 0.6% in February, after slumping 0.5% in January and 0.4% in December. Manufacturing gained a mere 0.1%. Mining activity plunged 1.5%, while energy production jumped 7.1%.

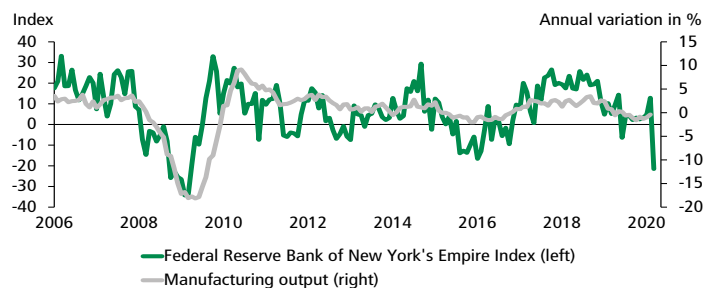
COMMENTS

Retail sales in February were definitely below consensus expectations, which had anticipated a modest 0.1% hike. The drop in motor vehicle and gas sales was largely anticipated, but the drop in sales excluding these two components was disappointing. Very few sectors posted any sales growth in February. In fact, only recreational goods (+0.1%), nonstore retailers (+0.7%), and “miscellaneous” (+1.4%) saw growth, while the following saw notable declines: electronics stores (-1.4%), renovation centres (-1.3%), clothing stores (-1.2%), and food services (-0.5%). This last sector, which may have already been affected by a drop in the number of tourists from Asia, was not even on solid ground before being hit hard as early as mid-March by COVID-19, a factor that will also impact other consumer sectors.

In February, industrial output grew for the first time since November. A large part of this hike is due to the jump in energy production thanks to a return to more typical weather in February compared with January. And yet, industrial output in February remained 0.9% below the cyclical peak recorded in December 2018. Considering that the motor vehicle sector surged 3.5% in February, the modest rise in manufacturing was fairly disappointing. Excluding motor vehicles, it fell

GRAPH

COVID-19 could impact manufacturing in addition to food and other services



Sources: Federal Reserve Bank of New York, Federal Reserve Board and Desjardins, Economic Studies

0.2% last month. Additionally, manufacturing may also suffer due to COVID-19. As an indication, we witnessed the Federal Reserve Bank of New York's Empire manufacturing index plummet yesterday.

IMPLICATIONS

Sales and manufacturing results for February are far from rosy. And these indicators may worsen considerably as of March. The first quarter is already fairly advanced for real GDP to post positive growth, but the effects of COVID-19 will be more obvious in the second quarter.

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