

ECONOMIC NEWS

United States: Unprecedented Drops in Retail Sales and Industrial Production

HIGHLIGHTS

- ▶ Retail sales dropped 8.7% in March after posting a modest 0.4% decline in February. Motor vehicle sales plummeted 25.6%, and the value of service station sales fell 17.2%. Excluding motor vehicles and gas, sales tumbled 3.1%.
- ▶ Industrial output fell 5.4% in March after rising 0.5% in February. Manufacturing output retreated 6.3%. Mining activity saw a 2.0% decrease, while energy production dropped 3.9%.

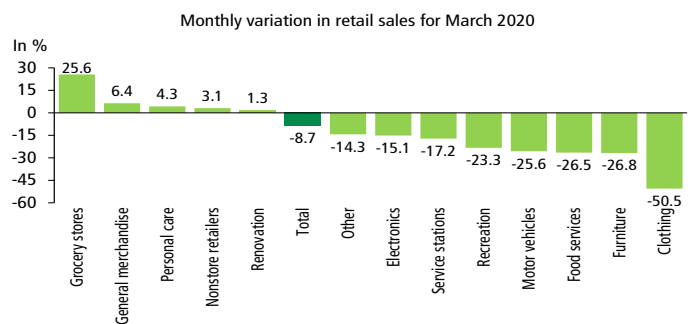
COMMENTS

In March, the COVID-19 crisis caused the worst decline in retail sales since monthly figures started to be released in 1992. Prior to that, the biggest decline was 3.9% in November 2008. That said, the decrease recorded last month is not far off expectations, with most retail categories posting major declines. Still, grocery store sales were up (+25.6%), as were those of general merchandise stores (+6.4%), personal care stores (+4.3%), nonstore retailers (+3.1%) and renovation centres (+1.3%). Clothing (-50.5%), furniture stores (-26.8%) and food services (-26.5%, although better than forecast), saw the biggest declines. Since the main confinement measures were not applied at the beginning of March, expectations are that sales will be down once again in April. Real consumption will clearly post a significant contraction as early as the first quarter, but the worst results will appear in the second quarter.

Already weakened in 2019 thanks to the trade war, industrial output has now been particularly hit hard by the COVID-19 crisis. Here, too, the recorded drop in March is the worst since tracking first began in 1950. Among the industries impacted the most, the motor vehicle sector is experiencing the biggest decline, with a 28.0% contraction. Still, even without the drop in this sector,

GRAPH

Several retail categories see major declines



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

industrial output would have fallen 4.1%. In fact, none of the main sectors, including food products (-0.8%), has posted an increase.

IMPLICATIONS

The plunge in sales and manufacturing in March confirms that the U.S. economy began to contract in the first quarter. The recession will continue in the second quarter, especially in April when economic activity is expected to slow down even more. What comes next will depend on how COVID-19 evolves and on the decisions the authorities will make as to how long the public health and confinement measures will remain in place.

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

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