

ECONOMIC NEWS

United States: Unsurprisingly, Retailers and Manufacturers Hit with More Bad News in April

HIGHLIGHTS

- ▶ Retail sales were down 16.4% in April after falling 8.3% in March. Motor vehicle sales plummeted 12.4%, and the value of service station sales fell 28.8%. Excluding motor vehicles and gas, sales contracted 16.2%.
- ▶ Industrial output dropped 11.2% in April after pulling back 4.5% in March. Manufacturing output contracted 13.7%. Mining activity saw a 6.1% decrease, while energy production dropped 0.9%.

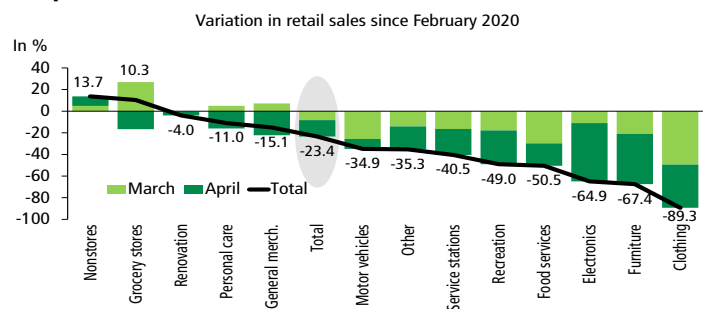
COMMENTS

After what was already a historic decline in March, the situation for retailers clearly worsened in April as most of the states expanded their measures aimed at curbing the COVID-19 pandemic. All of the sectors saw sales plummet, with the exception of nonstore purchases (+8.4%). This was also the case for grocery stores, which saw sales fall 13.1% after surging 26.9% in March. Once again, clothing was hit the hardest, with sales down 78.8% for a total decline of 89.3% since February. Electronics stores (-60.6%) and furniture stores (-58.7%) were also seriously impacted in April. On the other hand, the food services sector's 29.5% drop (for a total of 50.5% over two months) is not as steep as anticipated even though most would expect this sector to be hardest hit by the public health measures. The end of some lockdown measures and the reopening of businesses in a number of states as early as this month should boost retail sales, but it won't be enough to offset the dramatic drop in consumer spending for the quarter overall.

The full force of the public health measures in April didn't leave industrial output unscathed. The 11.2% plunge is clearly a new historical low. For the second month in a row, the motor vehicle sector was affected the most, tumbling 71.7% in April, for a total contraction of 80.2% since February. The aerospace, metallurgy and clothing sectors all felt the effect of factory closings or

GRAPH

Almost all retail categories were again seriously impacted in April



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

production slowdowns in April, but the reality is that no sector can claim that its sales are up.

IMPLICATIONS

While May has seen some reopening in certain economic sectors and in certain regions, the massive declines in output in March and April suggest an unprecedented contraction in real GDP in the second quarter.

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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