

# ECONOMIC NEWS

## United States: Growth in Sales and Manufacturing Ease Up

### HIGHLIGHTS

- ▶ Retail sales grew 1.2% in July, after jumping 8.4% in June and 18.3% in May. Motor vehicle sales declined 1.1%, but the value of service station sales rose 6.2%. Excluding motor vehicles and gas, sales increased 1.5%.
- ▶ Industrial production grew 3.0% in July, after climbing 5.7% in June and 0.9% in May. Manufacturing output rose 3.4% (1.6% excluding motor vehicles). Mining activity ticked up 0.8%, while energy production increased 3.3%.

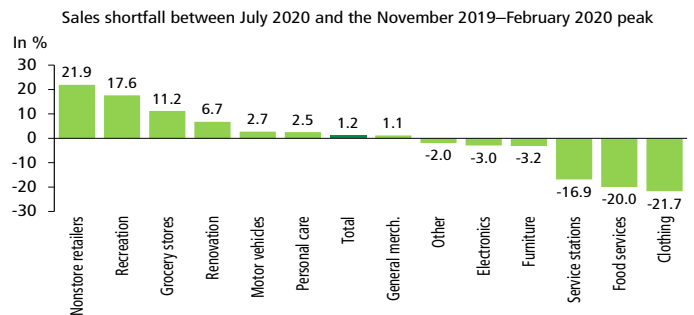
### COMMENTS

Retail sales continued to rebound, and total sales have now surpassed their prepandemic peak by 1.2%. It's therefore not unusual to see slower growth in sales. However, the scope and pace of the recovery are upwardly biased due to meeting demand that built up during the lockdown. Certain sectors will likely see their sales drop in the coming months as the recession and high employment rate remain unfortunate realities. We're already seeing motor vehicle sales decline after posting big jumps in May and June. That said, sales trends are very different from one sector to the next, and some sectors have a ways to go before making up for March and April's losses. This is certainly the case for clothing (-21.7% from the peak) and food services (-20.0% from the peak).

The increase in industrial production was again largely due to the auto sector, which posted a gain of 28.3% in July, following even larger increases of 118.3% in June and 110.0% in May. The shortfall in auto production compared to February's peak is now just 0.3%. For manufacturing output as a whole, this figure is 8.0% (-8.7% excluding motor vehicles). Certain sectors, particularly those that are tied to business investment (equipment, machinery, etc.) are lagging even more. It therefore appears that investment will see a more subdued recovery than consumption.

### GRAPH

#### Several types of retailers have exceeded pre-pandemic monthly sales



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

### IMPLICATIONS

The sharpest rebound in economic activity after the months-long lockdown already seems to be behind us. The U.S. economy will continue to advance, but monthly growth will resume more normal levels. However, we anticipate a major spike in real GDP for the third quarter as a whole.

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