

ECONOMIC NEWS

United States: Retail Sales Climb, While Industrial Production Retreats

HIGHLIGHTS

- ▶ Retail sales grew 1.9% in September, after increasing 0.6% in August and 1.1% in July. Motor vehicle sales jumped 3.6%, and the value of service station sales rose 1.5%. Excluding motor vehicles and gas, sales increased 1.5%.
- ▶ Industrial production fell 0.6% in September after gaining 0.4% in August and 4.2% in July. Manufacturing output retreated 0.3%. Mining activity ticked up 1.7%, while energy production plunged 5.6%.
- ▶ The University of Michigan consumer confidence index once again improved in October, from 80.4 in September to 81.2—still far lower than February's high of 101.0.

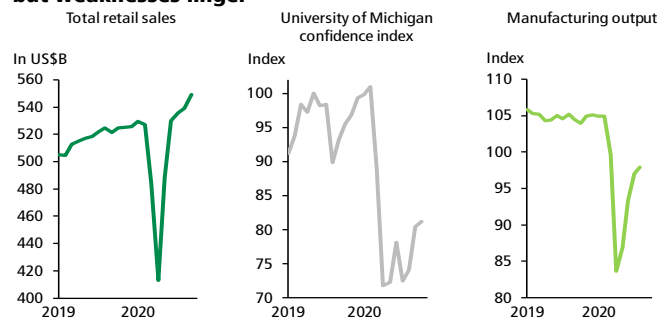
COMMENTS

Retail sales were much stronger than expected in September. We expected the easing observed since the summer to continue, but are instead seeing an impressive rebound. The components that were still lagging are those that increased the most in September, including clothing stores (+11.0%) and restaurants (+2.1%). Despite these gains, their sales are still far lower than pre-COVID-19 levels. The other components that did well in September include department store sales (+9.7%) and recreational goods (+5.7%). In both these cases, sales had already exceeded in August their pre-pandemic peak. Overall, retail sales did better than last January's previous peak by 3.7%, which is quite surprising given the current level of household confidence.

Industrial production did the opposite of retail sales in September, with the first decline since April. Much of the decline came from a decrease in energy demand for air conditioning. The drop in manufacturing output is more worrisome, at 6.4% below February's output. Vehicle assembly was down for the second

GRAPH

Retail sales have now largely exceeded their pre-pandemic level, but weaknesses linger



Sources: U.S. Census Bureau, University of Michigan, Federal Reserve Board and Desjardins, Economic Studies

month in a row. Other sectors did better in September, including metallurgy (+1.7%) and aerospace (+4.6%).

IMPLICATIONS

The rebound in consumption in Q3 will be significant if retail sales figures are to be believed. The low level of confidence suggests that this growth is perhaps not sustainable, however. Industrial production is a sign that companies are lagging and that investment growth will be more difficult.

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