

ECONOMIC NEWS

United States: Retail Sales Slow Down Again

HIGHLIGHTS

- ▶ Retail sales increased by only 0.3% in October, after rising 1.6% in September. Motor vehicle sales climbed 0.4%, as did the value of service station sales. Excluding motor vehicles and gas, sales were up 0.2%.
- ▶ Industrial production increased 1.1% in October, following September's 0.4% decline. Manufacturing production gained 1.0%. Energy jumped 3.6%, while mining activity decreased 0.6%.

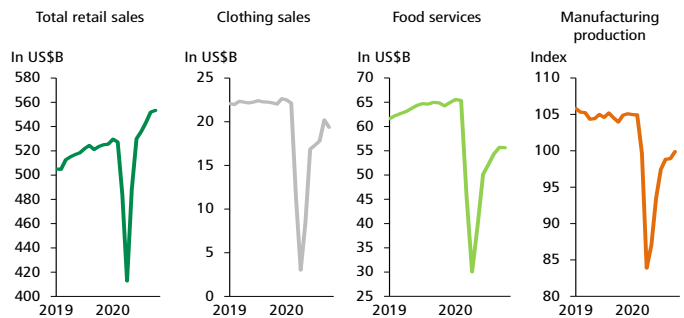
COMMENTS

After September's stunning growth, retail sales are catching their breath. Many components that saw big hikes in September then experienced sharp drops. Clothing store sales dropped by 4.2% after gaining 13.6% the previous month. Leisure goods stores also posted a 4.2% decline, after increasing 8.0% in September. Department stores dropped 4.6% after gaining 9.4%. Food services fell 0.1% after increasing 2.4%. Keep in mind that this latter category is far from catching up to its pre-pandemic levels (which is also true for clothing sales) and that the new spike in cases is likely to hinder this sector once again. Conversely, there was new enthusiasm for online sales (+3.1%) after a rare drop in September (-1.7%). Electronics stores (+1.2%) and renovation centres (+0.9%) also did well. Overall, retail sales have now surpassed their pre-pandemic peak by 4.5%.

Growth in industrial production in October was generalized across the types of industries. Metallurgy, electrical equipment, aerospace and most non-durable goods saw substantial gains. Manufacturing advanced despite a slight drop of 0.1% in the automobile sector. Industrial production is at 5.6% below February's level, and the shortfall is 4.8% for manufacturing.

GRAPH

Total retail sales are well ahead of industrial production



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

IMPLICATIONS

The slowdown in retail sales is normal after September's surge. However, the skyrocketing COVID-19 cases in the United States and the announcement of new restrictive public health measures in some regions should affect November spending, especially food services. Consumers' behaviour over the holidays will have to be watched closely, but the drop in some confidence index does not bode well. The slightly stronger growth in industrial production is good news, but it still has some way to go before reaching its pre-COVID-19 level.

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

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2020, Desjardins Group. All rights reserved.