

ECONOMIC NEWS

United States: Retail Sales Are Down This Holiday Season

HIGHLIGHTS

- ▶ Retail sales were down 1.1% in November, after falling 0.1% (revised by +0.3%) in October and gaining 1.7% in September.
- ▶ Motor vehicle sales declined 1.7% and the value of service station sales fell by 2.4%.
- ▶ Excluding motor vehicles and gas, sales dropped 0.8% following a 0.1% downtick in October. Sales shrank for most retailers in November, starting with department stores (-7.7%), clothing stores (-6.8%), food services (-4.0%) and electronics stores (-3.5%).

COMMENTS

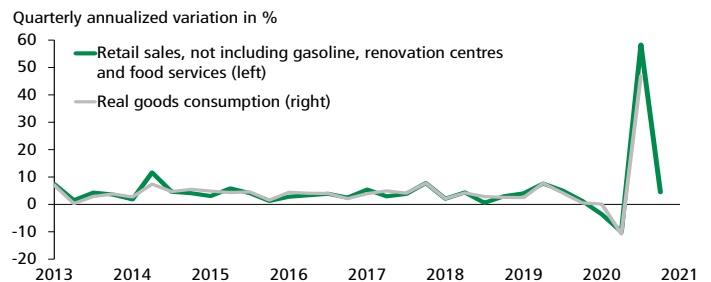
November's retail sales were much worse than the 0.3% slippage predicted by the consensus. The second COVID-19 wave seems to have had a negative effect on consumption, and possibly on the economy in general. The overall picture in November looks a lot like the start of the pandemic (albeit less serious). Sales rose in only three categories last month: groceries (+1.6%), renovation centres (+1.1%) and online sales (+0.2%). The worst drops in November are in categories that also saw the worst drops in March (clothing, food services, department stores).

Retail sales started to exceed their pre-pandemic levels in June, but the November decline slowed this progression. Nevertheless, they are still 3.2% above the peak of January 2020. Clothing sales have plummeted -18.4% off that peak and the shortfall is now -18.8% for food services and -18.5% for department stores.

Quite often when November sales were low, especially post-Thanksgiving sales, there was an uptick in December. But this year the holiday season will not be even close to normal. This December may well be marked by further declines in retail sales, which seasonal adjustments could make even worse. That said, strong September sales have given quite a boost to the fourth quarter sales. Sales would have to drop by about 3% in

GRAPH

Real goods consumption will grow more slowly in the fourth quarter, but is not likely to fall



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

December to indicate a net decline in real goods consumption in the fourth quarter of 2020. Carryover could still be negative for the first quarter of 2021, however.

IMPLICATIONS

The holiday season was expected to be hard for retailers, and November's figures seem to underscore that point. The high incidence of COVID-19 cases in the United States and the restrictive health measures in some regions indicate that December will not improve much over November. Fortunately, the start of the vaccination campaign raises some hope for the new year.

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