

ECONOMIC NEWS

United States: 2020 Ends with New Retail Declines but a Spike in Manufacturing

HIGHLIGHTS

- ▶ Retail sales were down 0.7% in December after falling 1.4% (revised from -1.1%) in November and 0.1% in October. Motor vehicle sales climbed 1.9% in December, while the value of service station sales soared to 6.6%. Not including motor vehicles and gas, sales were down 2.1%.
- ▶ Industrial output advanced 1.6% in December after a 0.5% gain in November. Manufacturing production gained 0.9%. Energy production jumped 6.2% and mining activity was up 1.6%.
- ▶ The University of Michigan consumer confidence index dipped from 80.7 in December to 79.2 in January.

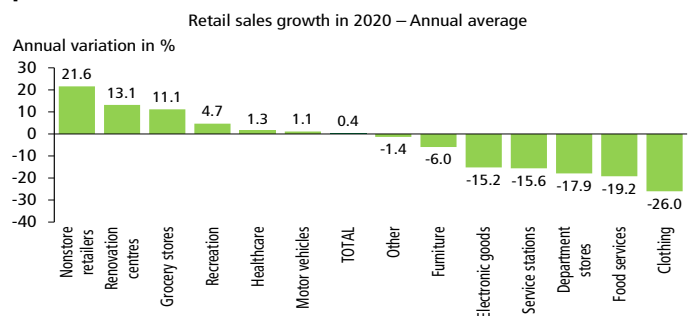
COMMENTS

The fall and the holiday season were particularly difficult for U.S. retailers. The surge in COVID-19 cases and the introduction of more stringent health measures in some States have clearly upset consumer habits. December saw significant declines in sales of food services (-4.5%), electronic goods (-4.9%), department stores (-3.8%) and, surprisingly, online shopping (-5.8%). For the latter, there is, however, a 21.6% positive variation for 2020 as a whole. December's figures, coupled with those of November, suggest that the third quarter rebound of real goods consumption lost steam at the end of the year. January's low confidence ratings indicate that the year is off to a slow start.

Industrial output did much better than retail sales in December. The colder temperatures after an unusually warm November pushed up the demand for energy. The same thing happened with real consumption of services, partially offsetting the declines resulting from low retail sales. Manufacturing was up despite a 1.6% slump in the motor vehicle sector. There was steady growth in metallurgy, aerospace, electric goods and the petrochemical

GRAPH

Some sectors had a decent 2020, but others were hard hit by the pandemic



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

sector. That said, the manufacturing sector fell 6.7% for 2020 as a whole while total retail sales edged up 0.4%.

IMPLICATIONS

Clearly, U.S. economic growth slowed down at the end of 2020. 2021 may also be off to a disappointing start despite the vaccination rollout and federal government assistance, although this new year has to be better overall than 2020.

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