

ECONOMIC NEWS

United States: Strong Rebound in Retail Sales in January

HIGHLIGHTS

- ▶ Retail sales jumped 5.3% in January, after dropping 1.0% in December and 1.3% in November. Motor vehicle sales climbed 3.1% in January, and the value of service station sales increased 4.0%. Excluding motor vehicles and gas, sales increased 6.1%. Department stores (+23.5%), electronics stores (+14.7%), furniture stores (+12.0%) and nonstore retailers (+11.0%) saw the biggest increases.
- ▶ Industrial output grew 0.9% in January, after climbing 1.3% in December. Manufacturing output gained 1.0%. The mining sector increased 2.3%, while energy production dropped 1.2%.

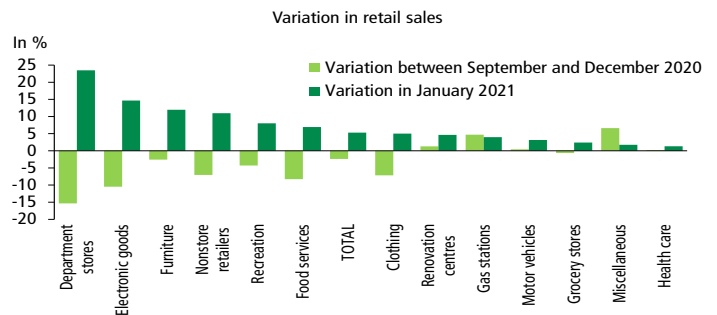
COMMENTS

After an especially difficult fall and holiday season for U.S. retailers, their situation clearly picked up in early 2021. Two factors contributed to this. First, the federal aid program passed at the end of 2020 that included US\$600 per person up to a certain income level in addition to increased unemployment benefits. Second, the significant drop in COVID-19 cases in the United States no doubt reassured consumers and also allowed the reopening of businesses in some states where public health measures had been tightened in late fall. All retail categories posted an increase in sales in January, with the gains much higher than expected by the consensus (+1.1%). As a new stimulus package with even more substantial personal amounts could soon be passed by the federal government, we could see an acceleration in sales starting in March.

Industrial output did a little better than expected in January, but the surprise is modest compared with that of retail sales. Vehicle production dropped only 0.7%, while the drop in hours worked and the supply chain problems suggested a bigger pullback. There were solid increases in metallurgy, electrical equipment and aerospace. January's mild weather led to a decrease in energy demand after December's surge. That said, the current cold

GRAPH

The retail categories that had difficulties in the fall are those that bounced back the most in January



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

snap in the United States appears to be exacerbating February's energy demand, while temporarily disrupting production.

IMPLICATIONS

U.S. consumption started 2021 with a bang. There should be a lull in February, but President Joe Biden's stimulus plan could bring another boost starting in March. With the U.S. vaccination campaign going well, it is clear that growth for 2021 as a whole should be very strong.

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 © 2021, Desjardins Group. All rights reserved.