

## ECONOMIC NEWS

# United States: Retail Sales and Manufacturing Down in February

### HIGHLIGHTS

- ▶ Retail sales fell 3.0% in February, after a sharp 7.6% increase in January (revised from 5.3%). Motor vehicle sales dropped 4.2%, but the value of service station sales rose 3.6%. Excluding motor vehicles and gasoline, sales declined 3.3%, after rising 8.5% in January (revised from 6.1%). The biggest drops were in department stores (-8.4%), leisure goods stores (-7.5%) and nonstore retailers (-5.4%).
- ▶ Industrial production shrank 2.2% in February, after climbing 1.1% in January. Manufacturing production fell 3.1%. The mining sector pulled back 5.4%, while energy production rose 7.4%.

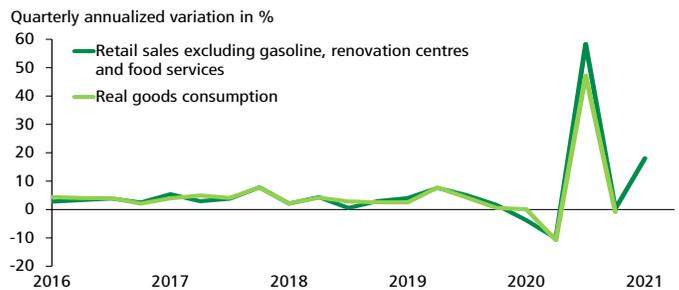
### COMMENTS

The 3.3% drop in sales excluding motor vehicles and gasoline is a much worse result than the consensus forecast. However, it is easily explained, especially with the significant upward revision in January numbers. Two factors are essentially behind the tumble. First, this effect is normal after the jump in the first month of the year, an increase itself supported by more than US\$900B in federal aid approved at the tail end of 2020 that provided US\$600 per person up to a certain income level, in addition to extra unemployment benefits. The February pullback is therefore a waning of the initial effect of this allocation. Second, adverse weather in mid-February brought a major winter storm and very cold temperatures to much of the United States. These disruptions obviously hurt household spending in February. We can be quite confident that the situation in March will be far more positive, as the individual amounts of US\$1,400 allocated under the new US\$1.900B aid plan have begun to be distributed.

The weather factor also really hurt industrial production in February. The Federal Reserve estimates that without the storm and cold temperatures, the drop in manufacturing would have been just 0.5% and the mining sector would have gained 0.5%. Production in the automobile sector (-8.3% in February) also had a negative effect due to the global shortage of electronic parts.

### GRAPH

**Despite the decline, retail sales suggest a sharp rise in consumption, even before the gain expected in March**



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

The 7.4% spike in energy production is due to the very cold weather, which exacerbated demand for heating. The effects of the weather in February should quickly be reversed with the return to more seasonal conditions.

### IMPLICATIONS

With a post-stimulus tumble and unfavourable weather, February looks quite negative for the economic outlook. However, the injection of new aid in March and more seasonal weather will offset this slump, and U.S. real GDP growth should be very strong in the first quarter.

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