

ECONOMIC NEWS

United States: Retail Sales Surge in March

HIGHLIGHTS

- ▶ Retail sales jumped 9.8% in March following a 2.7% drop in February and a 7.7% gain in January. Motor vehicle sales climbed 15.1%, while the value of service station sales rose 10.9%. Excluding motor vehicles and gasoline, sales were up 8.2%, after falling 3.1% in February. All components saw increases, but the main hikes were recorded in leisure goods stores (+23.5%), clothing stores (+18.3%) and food services (+13.4%).
- ▶ Industrial output rose 1.4% in March after a 2.6% pullback in February. Still, the mining sector jumped 5.7% and manufacturing 2.7%. Energy production plunged 11.4%.

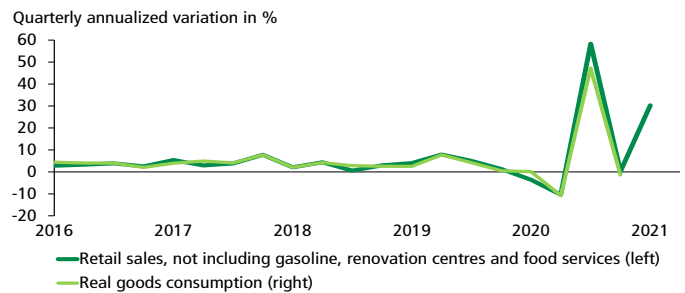
COMMENTS

After pulling back in February, mostly because of the inclement weather, retail sales were expected to rise significantly in March. In the end, the increase was even bigger than the consensus forecast of a 5.8% gain. The combined effect of better weather, the US\$1,400 in federal aid for individuals and the successful vaccine rollout (which led to a drop in the number of COVID-19 cases and the easing of restrictive public health measures) boosted consumer spending. This is extremely encouraging and suggests the crisis is approaching its end. Already, despite February's pullback, we were seeing a fairly strong contribution of real consumption to the GDP in the first quarter. March's figures are keeping up the momentum, and the impact should still be felt in the second quarter.

Still, the data on industrial output for March are more mixed, with growth weaker than anticipated. Manufacturing advanced, but March's increases failed to offset February's weakness in most sectors. One good example is the motor vehicle sector, in which the 2.8% gain in March is low compared to February's 10.0% plunge. The disruptions caused by the lack of parts in the supply chain are still a major problem for this and other sectors. That being said, there has been some remarkable growth in the metallurgy, machinery and aerospace sectors. Strangely, the nicer weather adversely impacted total industrial output, since the

GRAPH

Retail sales point to a big jump in the real consumption of goods in the first quarter



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

warmer weather caused the demand for energy to plummet. This should also dampen the real consumption of services.

IMPLICATIONS

In March, several factors, including the federal aid, the weather and the reopening of services, helped to boost household spending. Some of these effects will continue to buoy the economy in the spring. Continued solid growth leading to higher employment will signal to the Federal Reserve that it will need to eventually think about reducing its own support measures.

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