

ECONOMIC NEWS

United States: Retail Sales Remain High in April

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HIGHLIGHTS

- ▶ Retail sales stagnated in April after soaring 10.7% in March. Motor vehicle sales climbed 2.9%, but service station sales slumped 1.1%. Excluding motor vehicles and gasoline, sales declined 0.8% after surging 8.9% in March. The following businesses saw the biggest drops: clothing boutiques (-5.1%), general merchandise (-4.9%) and recreational goods stores (-3.6%). In contrast, food services were up 3.0%.
- ▶ Industrial output fell 0.7% in April after gaining 2.4% (revised from 1.4%) in March. Manufacturing production advanced a mere 0.4%. The mining sector edged up 0.7%, while energy output advanced 2.6%.

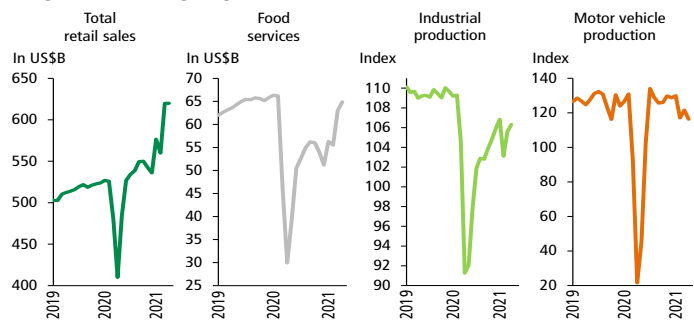
COMMENTS

It's normal to see modest increases in retail sales after March's surge, which was mostly the result of two very specific, albeit temporary, factors: the US\$1,400 in federal assistance and milder weather compared with February. That being said, sales are still extremely high: even after an 0.8% dip, sales excluding motor vehicles and gasoline are still up 10.7% higher than February's figures. They still seem to be benefiting from the assistance that the federal government provided and the lifting of some public health measures. The 3.0% increase in food services after the 13.5% surge in March is a very encouraging sign. Also of note is that the main declines recorded in April generally occurred in sectors that saw the biggest gains in March, in particular recreational goods, clothing and department stores. So, despite an anemic April, sales figures point to strong growth in consumption throughout the second quarter of 2021.

While not terrible, industrial output remains relatively modest. Whereas retail sales have surpassed February 2020 levels by 17.9%, industrial output remains 2.7% below its pre-pandemic level. The automobile sector, which shrunk 4.3% last month, was clearly responsible for dragging down total output in April. Excluding motor vehicles, manufacturing production allegedly edged up 0.7% instead of the 0.4% recorded. Other sectors

GRAPH

Except for industrial production, total retail sales have mostly surpassed their pre-pandemic levels



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

that posted significant gains include metallurgy, machinery, electrical equipment and petrochemicals. With a shortage contributing to the weakness of the automotive sector, the semiconductors and electronic components sector was down 0.2% in April.

IMPLICATIONS

The dip in some retail sales categories is not really a concern. Sales levels remain high, and the outlook for the second quarter is good. It will take time for industrial output to catch up, but there's hope that the disruptions caused by the pandemic will soon end and output will pick up.