

ECONOMIC NEWS

United States: Retail Sales Pulled Back in May

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HIGHLIGHTS

- ▶ Retail sales retreated 1.3% in May, after gaining 0.9% in April (revised from 0.0%) and surging 11.3% in March. Motor vehicle sales fell 3.7%, but the value of service station sales rose 0.7%. Excluding motor vehicles and gas, sales were down 0.8% after a slight 0.1% increase in April (revised from -0.8%). Besides motor vehicles, the main declines were renovation centres (-5.9%), the “miscellaneous” category (-5.0%) and electronics stores (-3.4%). Clothing store sales climbed 3.0% while food services were up 1.8%.
- ▶ Industrial output advanced 0.8% in May after gaining only 0.1% (revised from 0.5%) in April. Manufacturing output also rose 0.8%. The mining sector added 1.2%, while energy production grew 0.2%.

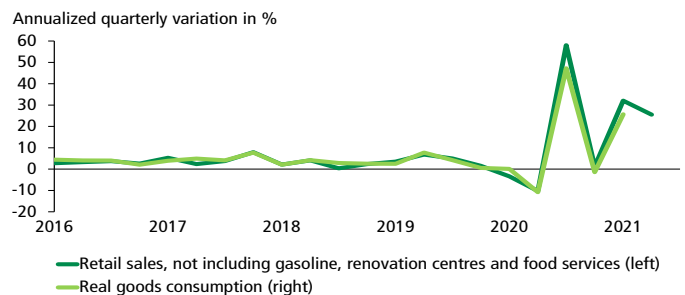
COMMENTS

The retail sales decline in May was slightly sharper than expected, with a consensus of -0.8%. While such a drop in retail sales would normally be disappointing, the upward revision in the April data tempers the net effect of the contraction. The May pullback is also relatively modest after the advances made in March and April, which were strongly supported by the US\$1,400 individual payouts under the federal assistance plan passed in March. As a result, despite May’s decline, total retail sales remain 10.8% above the February 2021 level, which was before the American Rescue Plan was passed. Retail sales suggest very robust growth in real consumption in the second quarter of 2021.

In terms of industrial output, we note above all a clear acceleration in auto industry output with a gain of 6.7% in April on the heels of a 5.7% decline in March. This could be a first sign that the situation is starting to normalize in a sector hard hit by electronic parts shortages. Excluding motor vehicles, manufacturing was up 0.5% in May. The trend remains generally more modest in industrial output than in retail sales. While the total gain in retail sales since February 2020 stands at 18.0%, industrial output is still down 1.4% over the same period.

GRAPH

Despite their decline in May, retail sales suggest strong consumer growth in the second quarter



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

IMPLICATIONS

After upticks in March and April, the drop in retail sales in May is not worrisome, and real consumption will be very strong in the second quarter of 2021. For output, supply constraints and commodity costs remain an obstacle to fully recouping the losses incurred during the pandemic.