

## ECONOMIC NEWS

# United States: Sales and Industrial Production Saw Strong Increases in October

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### HIGHLIGHTS

- ▶ Retail sales were up 1.7% in October, after gaining 0.8% in September and 1.2% in August.
- ▶ Motor vehicle sales grew 1.8%, a second consecutive increase. Gasoline station sale values jumped 3.9% under the influence of gas prices. Excluding cars and gas, sales rose 1.4%, after going up 0.5% in September. The main growth came from nonstore retailers (+4.0%), electronics stores (+3.8%), and renovation centres (+2.8%).
- ▶ Industrial production increased 1.6% in October, following September's 1.3% decline. Manufacturing output rose by 1.2%, as did energy production. The mining sector jumped 4.1%.

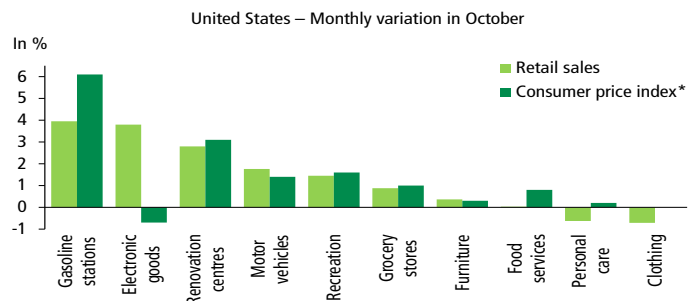
### COMMENTS

Retail sales in October performed much better than what our own and the consensus forecast predicted. This is the strongest monthly increase in total sales since March. This gain was supported by price increases, however. Note that the consumer price index for goods rose by 1.5% in October. This was especially evident in the sharp increase in service station sales, as gasoline prices at the pump surged 6.1% during the month. Thus, the effect of the increase in total sales on real consumption is likely to be rather timid. The increase in sales for some retailer categories can also be seen as an early start to the holiday shopping season as low inventory levels continue to be a concern.

Two factors disrupted industrial production in August and September: problems in the automotive sector and Hurricane Ida. Both of these constraints eased in October as shown by the rebound in the mining sector and, more importantly, the strong 11.0% growth in the automotive sector (including 18.8% growth in assembly). Without this sector, manufacturing output

### GRAPH

Price increases appear to have inflated sales value in several categories



\* Closest matching price index to the category.

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

would have increased by only 0.6% rather than 1.2%. Thanks to October's gain, industrial production is now 0.3% above its February 2020 level. Keep in mind that unlike retail sales, industrial production is expressed in real terms. Therefore, there is no direct price inflation effect.

### IMPLICATIONS

Today's news is quite good, although the price surge seems to have inflated the value of retail sales. If the U.S. economy continues to do well, the Federal Reserve's attention should increasingly turn to the surge in inflation.