

ECONOMIC NEWS

United States: Strong Rebound in Retail Sales in January

By Francis Généreux, Senior Economist

HIGHLIGHTS

- ▶ Retail sales jumped 3.8% in January, following a 2.5% drop in December and a 0.7% gain in November.
- ▶ Automobile sales were up 5.7%, in January. The value of service station sales fell by 1.3%. Excluding autos and gas, sales were up 3.8% following a 3.2% drop in December.
- ▶ The main increases were driven by nonstore retailers (+14.5%), department stores (+9.2%) and furniture stores (+7.2%).
- ▶ Industrial production increased 1.4% in January following December's 0.1% decrease. Manufacturing output ticked up 0.2%, and the mining sector grew by 1.0%. Energy production jumped 9.9% after falling 1.8% in December.

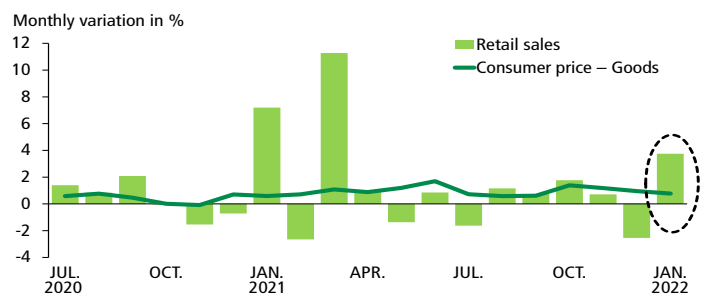
COMMENTS

After ending the year on a highly unfavourable note, U.S. retail sales rallied significantly at the beginning of 2022. The categories that posted the best performance in January (nonstore retailers, department stores and furniture stores) were those that had experienced the worst declines in December. The sales rebound is still fairly widespread, and the gain posted in January is a lot higher than the consensus forecast, which called for a 2.0% increase. Note, however, that the Omicron wave has had some effect on economic activity. Food services saw another monthly decrease (-0.9%) and sales at leisure goods stores declined by 3.0%. The rebound experienced by nonstore retailers is another likely consequence. We can also take comfort from the fact that the increase in sales value is not solely derived from an increase in the cost of goods; the gain should therefore clearly manifest as a sharp growth in real consumption.

January's increase in industrial production was largely due to the colder weather that came along at the start of 2022, following December's milder temperatures. This change boosted demand for heating and energy production. The 9.9% gain in this sector represents the strongest monthly growth since industrial output figures began to be kept in 1950! However, a pullback can be

GRAPH

This time, the increase in retail sales substantially outstrips price growth



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

expected in the coming months. The gain in the manufacturing sector has been rather timid. We also note a 0.9% drop in auto industry output on the heels of a 0.4% decline in December. These declines won't wipe out the big cumulative jump of 13.1% posted in October and November.

IMPLICATIONS

The significant jump in retail sales coupled with the increase in energy spending should be reflected in strong growth in real consumption in January. This should fuel growth in real GDP in the first quarter. The current economic situation therefore provides the Federal Reserve with plenty of room to go ahead with the start of key rate increases in a month.