

ECONOMIC NEWS

United States: Retail Sales Continue to Grow at a Good Clip

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HIGHLIGHTS

- ▶ Retail sales rose 0.9% in April after surging 1.4% in March (revised up from 0.5%) and 1.7% in February.
- ▶ Motor vehicle sales jumped 2.2%, while gas station receipts fell 2.7%.
- ▶ Excluding motor vehicles and gasoline, sales grew 1.0% after rising 1.2% in both February and March.
- ▶ April's advance in retail sales was led by nonstore retailers (+2.1%), food services (+2.0%), department stores (+1.1%) and miscellaneous store retailers (+4.0%).
- ▶ Sales were lower at gas stations as well as sporting goods and hobby stores (-0.5%), food and beverage stores (-0.2%) and home and garden centres (-0.1%).

COMMENTS

US retail sales continued to grow at a good clip last month. So far this year, retail sales excluding motor vehicles and gasoline have been up more than 1% each month. Rising consumer prices are inflating retail sales figures somewhat, but they're only part of the picture. Since the start of the year, sales excluding gasoline and food (groceries and food services) are up 7.1%, while the CPI for goods minus food and energy has risen just 1.2%. That means real sales remain vigorous.

Based on March and April's solid retail sales reports, second quarter real GDP and real goods spending are looking good. And with food services posting a string of monthly gains, spending on services should also come in strong.

Interest rates have been rising rapidly, so it's surprising to see sales of durable goods continue to increase sharply. In addition to motor vehicles, furniture (+0.7%) and electronics and appliances (+1.0%) also posted higher sales. But we do expect these numbers to come down eventually as higher interest rates take their toll.

GRAPH

Price growth isn't behind this month's increase in retail sales



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

IMPLICATIONS

Retail sales remain robust, even when adjusted for inflation. For now, higher interest rates, lower real income and weaker consumer confidence indicators don't seem to be slowing spending much.