

March 10, 2015



UNITED STATES

Will Mother Nature undermine the U.S. economy once again?

The weather has once again been wreaking havoc in the United States since the beginning of the year. Colder than normal weather has affected a large swath of the country, in particular the Northeast and the Midwest. Storms have been plentiful, and the snow accumulation has come close to record levels in many areas; Boston, of course, springs to mind, having received over 2.6 metres of snow. Weather like this reminds us of last year, when the polar vortex gave the economy a rough ride. Last year's harsh winter resulted in real GDP contraction to the tune of 2.1% (annualized) in the first quarter of 2014. Is this likely in 2015?

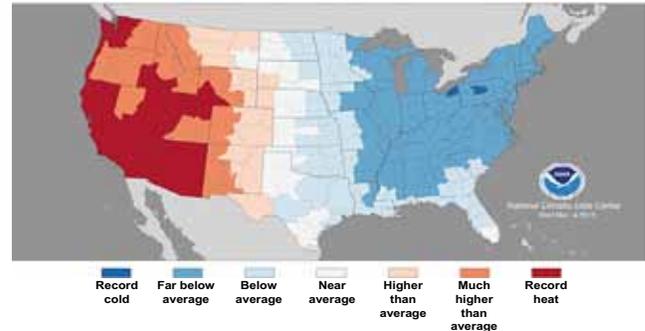
Many indicators are already displaying disappointing data that could be due to weather effects. We note that retail sales were limp in December and January. Sales of automobiles have also been down since November. The Federal Reserve's most recent Beige Book reports problems among retailers in the New York and Boston areas. However, we note that these setbacks are far less severe than what we saw last year. For example, retail sales excluding gasoline, cars and renovation centres tumbled by 0.9% in January 2014, the biggest monthly contraction since the crisis. The retail sales for this February, to be released on Thursday, March 12, will give us a clearer picture of the present situation. On the other hand, consumer spending on services is currently being stimulated by greater demand for heating.

The job numbers are also far less dramatic than they were last year. In February 2014, 626,000 people were unable to work during the week of the establishment survey, due to the weather. Last month, that number was "merely" 368,000. The contrast is even more striking when we compare the numbers of workers who are involuntarily working part-time because of the weather: there were 6,855,000 of them in February 2014. That is nearly five times the 1,433,000 workers who were counted in February of this year.

Implications: A sizable portion of the United States is still in the grips of a harsh winter, and that situation will

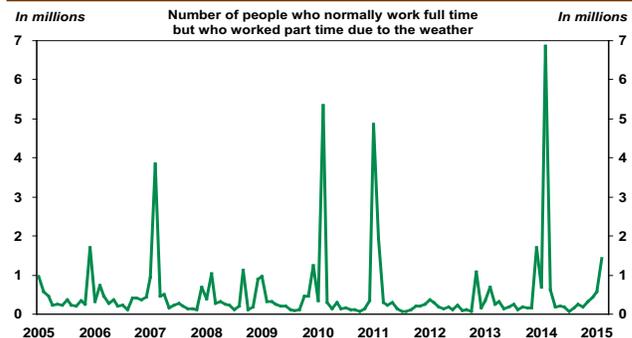
February's weather was colder than normal in the East and the Midwest of the United States

Temperature divergence between February 2015 and the average of 1895–2015



Source: National Oceanic and Atmospheric Administration

The negative impact of weather on U.S. economic growth will be far less serious than last year



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

probably make itself felt on real GDP growth. However, the impact will be much more moderate than last year. We expect that the weather, combined with other negative factors, will push real GDP growth down to around 2% in the first quarter of 2015, below the recent average of close to 3%.

Francis Généreux
Senior Economist

François Dupuis
Vice-President and Chief Economist

Mathieu D'Anjou
Senior Economist

Benoît P. Durocher
Senior Economist

Francis Généreux
Senior Economist

Jimmy Jean
Senior Economist

Hendrix Vachon
Senior Economist

514-281-2336 or 1 866 866-7000, ext. 2336
E-mail: desjardins.economics@desjardins.com