



UNITED STATES

Consumers wake up

HIGHLIGHTS

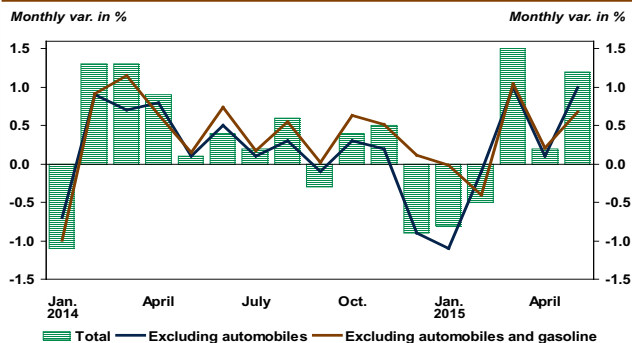
- Retail sales jumped by 1.2% in May after a modest gain of 0.2% in April (revised from 0.0%). Automobile sales spurted up by 2.0% after 0.7% growth in April. If we exclude automobiles, sales were up by 1.0%.
- Automobiles aside, nearly all categories of retailers reported increases in sales. The best growth came from renovation centres, clothing boutiques and nonstore retailers. Gas stations saw the value of their sales surge by 3.7% due to higher gasoline prices. Excluding cars and gasoline, sales rose by 0.7% after edging up by 0.2% in April.

COMMENTS

The healthy growth in retail sales in May is one more in a series of U.S. data that are a bit more encouraging, after several months of disappointment. It was already clear that the automobile sector would give May sales a shot in the arm, given the escalation in the number of new vehicles sold, which was released earlier this month. That in itself was already a piece of good news. But it is an even more positive sign to see most of the other retail sales categories post solid growth. In fact, only health and personal care stores reported a decline in May. Clothing boutiques enjoyed their strongest monthly growth since November 2014. Even electronics stores turned the corner after seven straight contractions, with a modest increase in May. The higher sales at renovation centres should support residential investment, which has already received a boost in the second quarter from a sharp increase in housing starts.

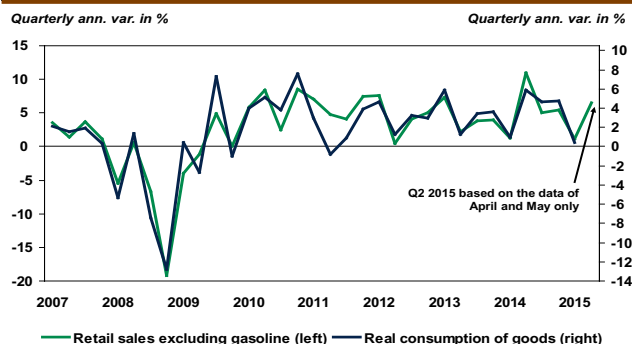
Implications: The solid performance by retail sales in May and the upwards revision of the April data suggest that real consumption of goods should rebound in the second quarter as a whole. U.S. consumers, who showed great caution at the beginning of the year despite strong job numbers and lower gasoline prices, now seem to be more inclined to accelerate their spending. This should help real GDP post an attractive rebound after the disappointing 0.7% contraction that was

Retail sales firm up a bit



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

The increase in real consumption looks promising for the second quarter



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

recorded in the first quarter. More good news along these lines in the coming months could encourage the Federal Reserve to begin raising its key interest rates in September.

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