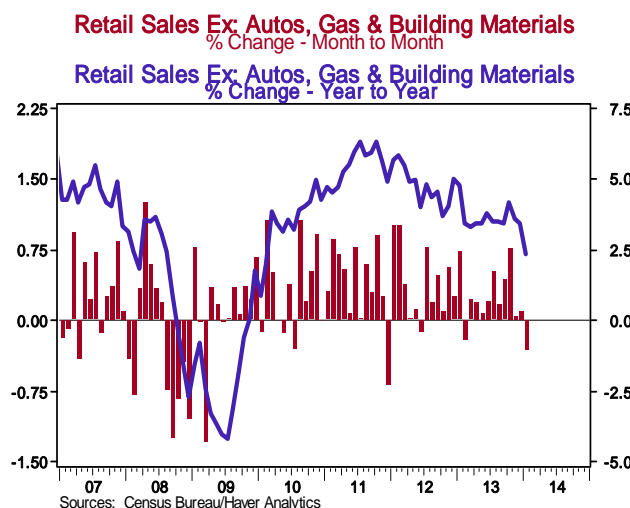
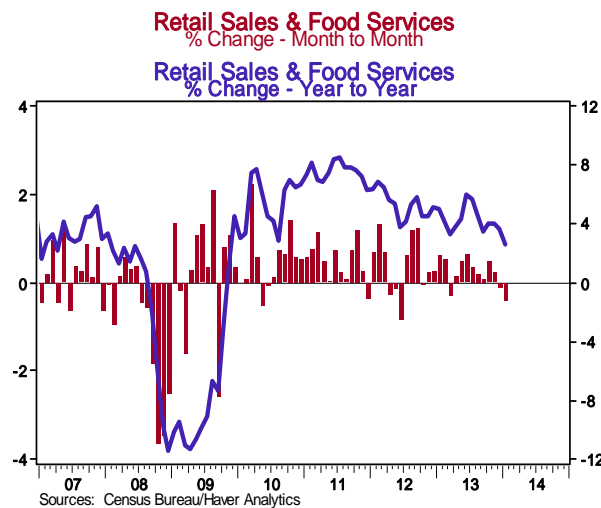


January Retail Sales

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- Retail sales declined 0.4% in January (-0.9% including revisions for November/December) versus a consensus expected no change. Sales are up 2.6% versus a year ago.
- Sales excluding autos were unchanged in January (-0.7% including revisions to prior months). The consensus expected a 0.1% gain. These sales are up 2.2% in the past year.
- The decline in sales in January was led by autos, which offset gains at gas stations and for building materials.
- Sales excluding autos, building materials, and gas fell 0.3% in January (-1.2% including revisions to prior months). If unchanged in February/March, these sales will be down at a 0.9% annual rate in Q1 versus the Q4 average.

Implications: The polar vortex struck again. Overall retail sales declined 0.4% in January and fell 0.9% including downward revisions to prior months. Even today’s release of the data was delayed by a few minutes because the Census Bureau was forced to use a different distribution technique due to the weather. “Core” sales, which exclude autos, building materials and gas, declined 0.3%, the first negative reading in eleven months. Worse, including revisions to prior months, core sales fell 1.2%. However, we don’t think this is a negative turning point for the US economy. Retail sales (along with other data) have been artificially beaten down by unusually harsh winter weather and will rebound sharply once weather patterns return to normal. According to Planalytics Inc., December was the coldest in five years and had snowfall 21 percent above normal. According to NOAA, the US experienced the coldest population-weighted January in the past twenty years. Consumer spending will rebound in the months ahead due to growth in wages, growth in total hours worked, and a very low debt burden on consumers. In the meantime, recent data suggest real GDP growth, originally reported at a 3.2% annual rate in Q4, will be revised down to about 2.5%. The winter weather may result in even slower real GDP growth in Q1. If so, expect a sharp rebound in Q2. In other news this morning, new claims for jobless benefits increased 8,000 last week to 339,000. Continuing claims for regular state benefits declined 18,000 to 2.95 million. As a result, our payroll models are now projecting a February gain of 165,000 nonfarm and 155,000 in the private sector. It’s early, though, so there’s plenty of time for this projection to change substantially in the weeks ahead.



Retail Sales <i>All Data Seasonally Adjusted</i>	Jan-14	Dec-13	Nov-13	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	-0.4%	-0.1%	0.3%	-1.1%	1.1%	2.6%
Ex Autos	0.0%	0.3%	-0.2%	0.5%	1.9%	2.2%
Ex Autos and Building Materials	-0.1%	0.3%	-0.2%	0.0%	2.3%	2.1%
Ex Autos, Building Materials and Gasoline	-0.3%	0.1%	0.1%	-0.6%	2.5%	2.3%
Autos	-2.1%	-1.8%	2.0%	-7.5%	-2.1%	4.1%
Building Materials	1.4%	0.0%	0.9%	9.3%	-0.9%	3.7%
Gasoline	1.1%	1.5%	-1.7%	4.0%	0.8%	1.0%

Source: Bureau of Census