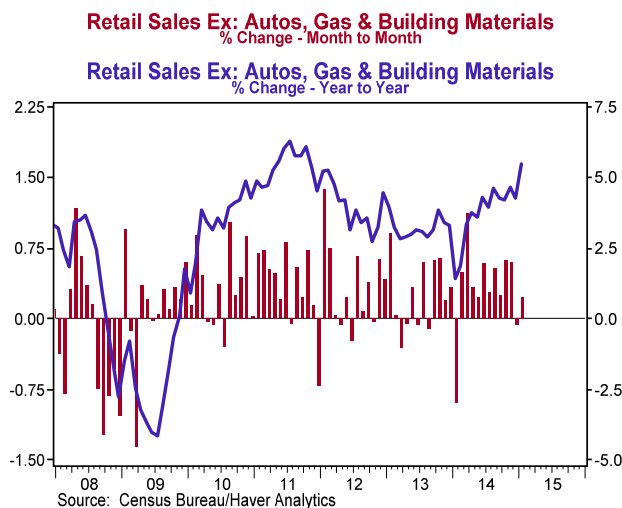
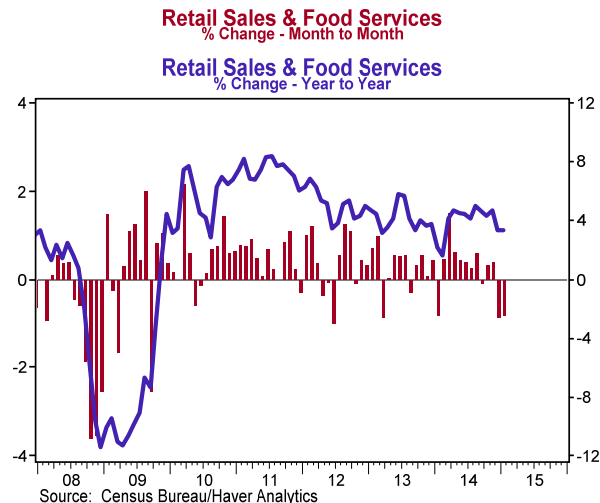


January Retail Sales

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- Retail sales declined 0.8% in January (-0.7% including revisions to prior months), coming in below the consensus expected dip of 0.4%. Sales are up 3.3% versus a year ago.
- Sales excluding autos declined 0.9% in January (-0.7% including revisions to prior months). The consensus expected a decline of 0.5%. These sales are up 1.7% in the past year.
- The drop in sales in January was led by gas stations. Auto sales were down as well. The strongest category was restaurants & bars.
- Sales excluding autos, building materials, and gas rose 0.2% in January and, including revisions to prior months, increased 0.5%. If unchanged in February/March, these sales will be up at a 1.7% annual rate in Q1 versus the Q4 average.

Implications: Retail sales fell big in January, the second large monthly decline in a row. But this is not the end for the consumer. Gas prices plunged again in January, so sales at gas stations fell 9.3%, the largest drop for any month since the Panic of 2008. Regardless of how it affects top-line retail sales, the drop in gas prices is good news. Every one cent decline in the price of gas saves consumers about \$3.7 million a day (so, today, consumers are saving more than \$460 million a day versus 6 months ago). Shoppers are now able to take that money and shift their purchases elsewhere. Although they might not spend all of it immediately, it looks like consumers are starting to use some of this extra money to dine out more. Sales at bars and restaurants are up 11.3% from a year ago, the best year over year growth since 1989! And if we just look at retail sales excluding gasoline stations, they were up 6.6% from a year ago, the best reading since early 2011. “Core” sales, which exclude autos, building materials and gas, bounced back in January after slipping in December and were revised higher for previous months. Plugging these data into our GDP models suggests real (inflation adjusted) consumer spending will be up at a Plow Horse 2.5% annual rate in Q1. Nonetheless, we expect roughly 3 million more jobs in 2015 and wage gains to go along with them, which will translate into further spending growth in the year ahead. In other news this morning, new claims for unemployment insurance rose 25,000 last week to 304,000. The four week average declined to 289,750. Continuing claims for regular state benefits fell 51,000 to 2.35 million. We expect another month of solid job growth in February, with payrolls climbing around 250,000.



Retail Sales <i>All Data Seasonally Adjusted</i>	Jan-15	Dec-14	Nov-14	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	-0.8%	-0.9%	0.4%	-4.9%	-0.8%	3.3%
Ex Autos	-0.9%	-0.9%	0.2%	-6.1%	-1.9%	1.7%
Ex Autos and Building Materials	-0.9%	-1.0%	0.1%	-6.8%	-2.2%	1.3%
Ex Autos, Building Materials and Gasoline	0.2%	-0.1%	0.6%	3.3%	4.6%	5.5%
Autos	-0.5%	-0.8%	1.4%	0.3%	3.7%	10.0%
Building Materials	0.6%	-0.7%	1.9%	7.6%	5.0%	6.9%
Gasoline	-9.3%	-7.4%	-3.2%	-56.4%	-39.8%	-23.5%

Source: Bureau of Census