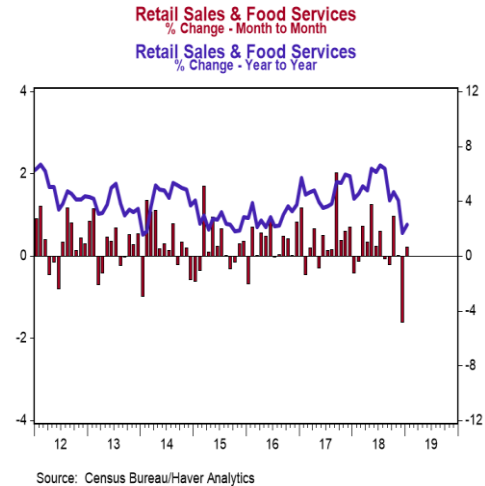


January Retail Sales

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- Retail sales rose 0.2% in January (-0.3% including revisions to prior months) versus a consensus expected no change. Retail sales are up 2.4% versus a year ago.
- Sales excluding autos rose 0.9% in January (+0.6% including revisions to prior months), beating the consensus expected 0.3% gain. These sales are up 2.6% in the past year. Excluding gas, sales were up 0.4% in January and are up 2.9% from a year ago.
- The increase in sales in January was led by non-store retailers (internet & mail order), building materials, and food & beverage stores. The largest declines were for autos and at gas stations.
- Sales excluding autos, building materials, and gas rose 1.0% in January and were up 0.6% including revisions to prior months. If unchanged in February/March, these sales will be down at a -0.3% annual rate in Q1 versus the Q4 average.



Implications: Retail sales rebounded somewhat in January after a December that was supposedly even worse than originally reported. Non-store retailers led the partial bounce in January, rising 2.6% for the month and up 7.3% from a year ago. Overall retail sales increased a modest 0.2% in January. Outside of the biggest laggards – autos and gas stations – the gains were fairly broad-based, with eight of thirteen major categories showing rising sales. In fact, building materials had the largest gain since late 2017, food and beverage stores had the largest rise since 2016, and sporting and hobby stores had the best gain since 2013. Auto sales were the biggest laggard, down 2.4% in January, the largest decline in five years. Take out sales of autos, and retail sales were up 0.9% for the month. “Core” sales, which exclude autos, building materials, and gas stations (the most volatile sectors) were up 1.0% in January, and are up 3.1% from a year ago, while overall retail sales are up 2.4% over the same period. Meanwhile, the severity of the December decline remains a complete mystery given how inconsistent the report is with other economic data – like strong employment, accelerating wages, the Johnson-Redbook measure of same-store sales, as well as surging revenue at Amazon and Wal-Mart. In addition, December’s report shows a downwardly revised 5.0% decline in sales at non-store retailers, which includes internet sales, the largest percentage drop since January 2001! Give us a break! Internet sales at the time were reported as the strongest ever.



Something is wrong with that December report – seasonals, missing data, or an error in the spreadsheets. Given the tailwinds from deregulation and tax cuts, we expect an average real GDP growth rate of close to 3% in 2019, just like we saw in 2018. Jobs and wages are moving up, tax cuts have taken effect, consumer balance sheets look healthy, and serious (90+ day) debt delinquencies are down substantially from post-recession highs. Some may point to household debt at a record high as reason to doubt that consumption growth can continue. But household assets are near a record high, as well. Relative to assets, household debt levels are hovering near the lowest in more than 30 years. For these reasons, expect solid gains in retail sales over the coming months.

Retail Sales <i>All Data Seasonally Adjusted</i>	Jan-19	Dec-18	Nov-18	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.2%	-1.6%	0.0%	-5.5%	-1.5%	2.4%
<i>Ex Autos</i>	0.9%	-2.1%	-0.1%	-5.0%	-1.3%	2.6%
<i>Ex Autos and Building Materials</i>	0.7%	-2.3%	0.0%	-6.4%	-2.3%	2.3%
<i>Ex Autos, Building Materials and Gasoline</i>	1.0%	-1.8%	0.6%	-1.3%	-0.7%	3.1%
Autos	-2.4%	0.3%	0.3%	-7.3%	-2.1%	1.6%
Building Materials	3.3%	0.5%	-0.9%	12.5%	11.1%	5.9%
Gasoline	-2.0%	-5.7%	-4.2%	-38.7%	-14.6%	-3.5%

Source: Bureau of Census