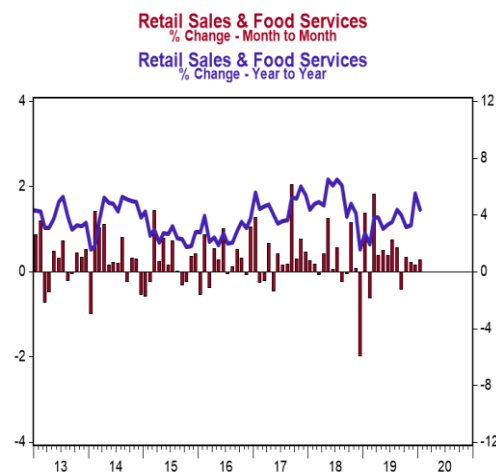


January Retail Sales

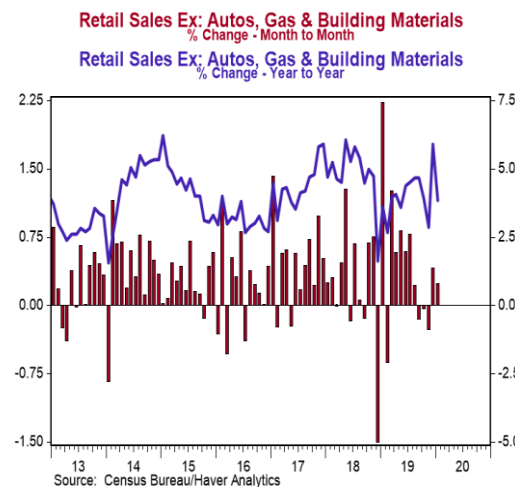
Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist
 Strider Elass – Senior Economist

- Retail sales rose 0.3% in January but were unchanged including revisions to prior months. The consensus expected a 0.3% gain. Retail sales are up 4.4% versus a year ago.
- Sales excluding autos increased 0.3% in January, (+0.1% including revisions to prior months). The consensus expected a 0.3% gain. These sales are up 4.0% in the past year. Excluding gas, sales rose 0.3% in January and are up 3.9% from a year ago.
- The rise in sales in January was led by restaurants & bars and building materials. The largest decline was for clothing & accessory stores.
- Sales excluding autos, building materials, and gas increased 0.2% in January (+0.1% including revisions to prior months). If unchanged in February/March, these sales will be up at a 1.7% annual rate in Q1 versus the Q4 average.

Implications: A respectable report on the US consumer. Retail sales grew 0.3% in January and are up a solid 4.4% from a year ago. The gain was widespread, as sales rose in nine of thirteen major categories. Restaurants & bars, along with building materials, led the way rising 1.2% and 2.1% in January, respectively. Building materials grew by the most since August of last year, partly due to the unusually mild January weather. This milder weather most likely affected sales at clothing and accessory stores, as well, holding down this category. Less need to buy winter apparel when temperatures are higher than usual. There should be no doubt the consumer is doing well. “Core” sales, which exclude autos, building materials, and gas stations (the most volatile sectors) grew 0.2% in January, and are up 3.8% from a year ago. Jobs and wages are moving up, companies and consumers continue to benefit from tax cuts, consumer balance sheets look healthy, and serious (90+ day) debt delinquencies are down substantially from post-recession highs. For these reasons, expect continued solid gains in retail sales in the year ahead. In inflation news today, import prices were unchanged in January, as falling fuel prices offset increasing prices for nonfuel imports. Meanwhile, export prices rose 0.7%, with rising prices for both agricultural and nonagricultural exports contributing to the overall increase. In the past year, import prices are up 0.3%, while export prices are up 0.5%. Given loose monetary policy, expect higher inflation by later this year.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Retail Sales <i>All Data Seasonally Adjusted</i>	Jan-20	Dec-19	Nov-19	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.3%	0.2%	0.2%	2.6%	2.2%	4.4%
Ex Autos	0.3%	0.6%	-0.2%	3.1%	1.8%	4.0%
Ex Autos and Building Materials	0.0%	0.6%	-0.2%	2.1%	1.2%	4.5%
Ex Autos, Building Materials and Gasoline	0.2%	0.4%	-0.3%	1.5%	0.8%	3.8%
Autos	0.2%	-1.7%	1.6%	0.4%	4.2%	5.7%
Building Materials	2.1%	1.3%	0.3%	16.0%	9.0%	-1.3%
Gasoline	-0.5%	1.7%	0.6%	7.1%	4.9%	10.4%

Source: Bureau of Census