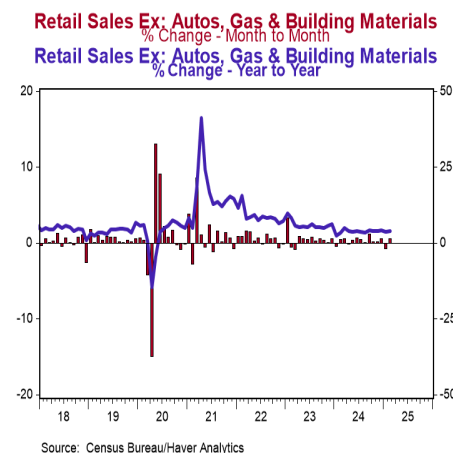
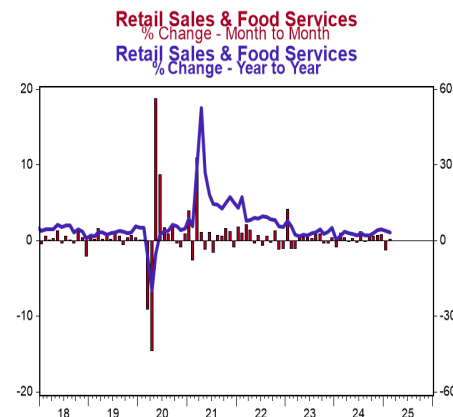


February Retail Sales

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- Retail sales rose 0.2% in February (-0.2% including revisions to prior months), widely lagging the consensus expected gain of 0.6%. Retail sales are up 3.1% versus a year ago.
- Sales excluding autos rose 0.3% in February (unchanged including revisions to prior months), matching consensus expectations. These sales are also up 3.1% in the past year.
- The largest increase in February, by far, was for nonstore retailers (internet and mail-order). The largest decline was for restaurants & bars.
- Sales excluding autos, building materials, and gas rose 0.5% in February but were up 0.1% including revisions to prior months. If unchanged in March, these sales will be unchanged in Q1 versus the Q4 average.

Implications: Retail sales rebounded in February but the details suggest all is not well with the US consumer. The 0.2% increase in February lagged the consensus expected increase of 0.6%, while last month’s weak reading was revised even lower, now the largest monthly drop excluding the volatile COVID years since 2018. Moreover, growth was narrow, with more major sales categories (seven) showing declines versus gains (six). The headline increase was entirely driven by a 2.4% jump in sales at nonstore retailers (think internet and mail-order), possibly the result of front-running goods purchases before tariffs set in. Strip this category out and overall sales would have declined 0.2% in February. We like to follow “core” sales, which excludes the often-volatile categories for autos, building materials, and gas. That measure rose 0.5%, but increased a more modest 0.1% including revisions. If they stay the same in March, these sales will be unchanged in the first quarter versus the Q4 average; the slowest pace excluding COVID since 2013. Notably, within this core grouping, consumers pulled back sharply on services in February as sales at restaurants & bars dropped 1.5%, by far the largest decline for any category. We watch this category closely since it is the only glimpse we get at services in the retail sales report. These sales (up 1.5% in the past year) peaked in November and have since declined at an 8.5% annualized rate, not a good sign for the overall economy. As a whole, retail sales are up 3.1% on a year-to-year basis. However, “real” inflation-adjusted retail sales are up only 0.3% in the past year and are still down from the peak in early 2021. This highlights the ugly ramifications of inflation: consumers are paying higher prices today but taking home fewer goods than they were more than three years ago. And while the Fed has cut interest rates a total of 100bps since last Fall, it is not at all clear that inflation problems are behind us. We hope they have the resolve to stomp out the embers of inflation even if economic troubles come. In other news this morning, the Empire State Index, which measures manufacturing sentiment in the New York region, declined to -20.0 in March from +5.7 in February.



Retail Sales <i>All Data Seasonally Adjusted</i>	Feb-25	Jan-25	Dec-24	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%	-1.2%	0.7%	-1.3%	3.6%	3.1%
Ex Autos	0.3%	-0.6%	0.6%	1.1%	3.0%	3.1%
Ex Autos and Building Materials	0.4%	-0.6%	0.7%	2.1%	3.6%	3.4%
Ex Autos, Building Materials and Gasoline	0.5%	-0.8%	0.6%	1.3%	3.7%	3.8%
Autos	-0.4%	-3.7%	1.3%	-10.7%	6.2%	3.1%
Building Materials	0.2%	-1.9%	-1.3%	-11.4%	-5.6%	-0.7%
Gasoline	-1.0%	1.3%	2.0%	9.9%	2.6%	-0.3%

Source: Bureau of Census