

Economics

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## US retail sales (Jan): Slowing but not slumping

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Retail Sales (monthly % chg, unless otherwise noted)	Jan	Dec	Nov	Oct	Sep	Jan YoY SA
Retail & food service	-0.2%	0.0%	0.5%	-0.2%	0.1%	3.2%
• Ex-autos	0.0%	0.0%	0.4%	0.2%	0.1%	3.9%
Control Group <sup>1</sup>	0.3%	0.0%	0.2%	0.5%	-0.2%	4.9%
Motor vehicles, parts	-0.9%	-0.2%	0.9%	-1.5%	0.0%	0.1%
Furniture	0.7%	-1.5%	-0.1%	1.4%	-2.4%	-3.5%
Electronics	-0.6%	-0.1%	0.1%	0.2%	-0.6%	2.0%
Building materials	0.6%	1.2%	1.4%	-0.7%	0.0%	4.3%
Food, beverages	0.2%	0.3%	-0.3%	0.0%	-0.2%	1.4%
Health, personal care	-3.0%	-0.3%	-0.6%	-0.4%	1.3%	2.9%
Gasoline stations	-2.9%	-0.1%	1.3%	-1.4%	2.0%	-3.7%
Clothing	-1.7%	-0.7%	0.3%	1.4%	-0.8%	3.0%
Sporting goods	-1.2%	-0.5%	0.4%	2.1%	-1.0%	3.2%
General merchandise	0.4%	0.0%	0.0%	0.4%	0.0%	1.5%
• Department stores	-6.0%	-3.9%	-0.6%	4.8%	-0.6%	-8.3%
Miscellaneous	2.0%	0.0%	0.8%	1.9%	2.4%	10.8%
Non-store retailers	1.9%	0.2%	0.7%	0.7%	-0.7%	10.9%
Eating, drinking	-0.2%	-0.2%	0.5%	-0.1%	0.2%	3.9%

Source: Haver Analytics.

- US consumer spending appears to be slowing, albeit not slumping, at a time when harder tests are on the horizon. While the decline in headline sales during January largely reflected drops in often volatile auto and gasoline sales, the underlying growth rate in core measures of sales has clearly decelerated from the torrid pace seen throughout much of 2025. With gasoline prices cutting into household incomes, combined with a slowing labour market, inflation-adjusted consumer spending could well decelerate further ahead.
- Headline sales fell by 0.2% in January following a flat reading in the previous month. However, January's decline was broadly in line with expectations (-0.3%) and mainly reflected pull backs in auto and gasoline sales.
- Excluding those two volatile areas, sales rose by a moderate 0.3%, with core sales (ex auto, gasoline, building materials, restaurants) matching that increase. The three-month annualized pace of spending within that control group, sitting now at 2.4% versus more than 6% last summer, shows that spending is still rising but at a much more moderate pace.

<sup>1</sup> This calculation removes food services, gas, building materials & autos from total retail & food service sales.

- Spending at clothing, sporting goods and health stores all fell during January, with all of these representing consecutive declines having already fallen in December. Department store sales also continued to slump. However, non-store retailing rose by almost 2% and were up more than 10% on a year-over-year basis.

## Implications & actions

**Re: Economic forecast** — Consumer spending will remain a positive contributor to GDP in the first quarter of 2026, albeit not as much as it was throughout much of 2025. With the recent spike in oil prices at least temporarily limiting disposable incomes, combined with signposts of weaker aggregate incomes from today's payrolls report, consumer spending growth is expected to slow further in the quarters ahead.

**Re: Markets** — Bond yields fell initially due to the weak payrolls figures, but largely recovered that move as traders remain more focused on the potential inflationary impact of the elevated oil prices.

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