

# Economics

## ECONOMIC FLASH!

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### US Retail sales see-saw in February

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Retail Sales (monthly % chg, unless otherwise noted)	Feb 2022	Jan 2022	Dec 2021	Nov 2021	Oct 2021	Feb YoY SA
Retail & food service	0.3%	4.9%	-2.7%	0.7%	1.8%	18%
• Ex-autos & gas	0.2%	4.4%	-3.0%	0.7%	1.8%	18%
Control Group <sup>1</sup>	-1.2%	6.7%	-4.4%	0.2%	1.8%	13%
Motor vehicles, parts	0.8%	6.9%	-1.5%	0.7%	1.7%	17%
Furniture	-1.0%	7.5%	-7.5%	0.7%	2.6%	7%
Electronics	-0.6%	2.1%	-4.3%	-11.3%	3.8%	3%
Building materials	0.9%	2.7%	0.6%	3.3%	3.0%	15%
Food, beverages	-0.5%	1.0%	-0.1%	0.5%	1.0%	8%
Health, personal care	-1.8%	0.2%	0.5%	2.3%	-1.2%	9%
Gasoline stations	5.3%	-1.7%	1.2%	1.9%	3.5%	36%
Clothing	1.1%	1.4%	-3.9%	1.1%	1.0%	31%
Sporting goods	1.7%	-1.3%	-6.3%	1.9%	0.9%	12%
General merchandise	-0.2%	4.5%	-3.8%	-1.1%	1.6%	13%
• Department stores	1.6%	9.8%	-7.1%	-5.5%	2.5%	23%
Miscellaneous	1.9%	2.1%	-0.1%	0.2%	1.6%	25%
Non-store retailers	-3.7%	20.6%	-11.2%	1.1%	3.8%	14%
Eating, drinking	2.5%	-1.0%	-0.3%	0.5%	-0.1%	33%

Source: Haver Analytics.

- Any disappointment in US retail sales for February was more than offset by positive revisions to January's figures. Indeed, February's 0.3% growth in total sales was a tick below the consensus expectation, but January was revised up to 4.9% from 3.8% previously. And while the two-month growth tally will have been flattered by price increases in terms of its implications for real consumption, we expect an improvement in demand for services not captured in this report, as Omicron faded in February.
- The lacklustre headline advance masked a surge in restaurant spending as Omicron faded, which more than offset a pullback in spending at grocery stores. The growth in auto and gasoline sales reflected higher prices, and we expect the jump in prices at the pump to start to squeeze real consumption in March. Demand for vehicles remains solid despite higher prices, but limited inventories and ongoing supply chain snarls continue to limit purchases, and will until at least the latter half of the year.
- The disappointment was accounted for by the control group of sales, which excludes restaurants, autos, gasoline and building materials. That group declined by 1.2% (vs. +0.3% expected), but revisions to the January figure (now +6.7%

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

vs. +4.8% previously) more than offset the miss for February. The drop reflected a retrenchment in online shopping following a mammoth gain in January. In brick-and-mortar store categories, activity started to normalize as Covid faded, supporting apparel and department store sales.

## Implications & actions

**Re: Economic forecast** — The January revisions show that the US economy was even more resilient during Omicron than thought, and add to the urgency for Fed rate hikes, as we expect the weak goods print for February to be offset by renewed demand for services as Omicron faded. The control group of sales is still 16% above where its pre-pandemic trend growth rate would have put it as of February, and we expect that degree of excess on the goods side of the economy to be pared back as services demand accelerates.

**Re: Markets** — Yields rose slightly, reflecting January's revisions, but attention is largely focussed on what the FOMC will have to say today in terms of clues to the tightening path ahead.

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