U.S. RETAIL SALES RISE IN JANUARY

*U.S. retail sales increased by 0.3% m/m in January, in line with expectations (consensus: +0.3%), placing it on track to increase by 1.8% q/q annualized again in Q1 and indicating a decent start to consumption in 2020, even though very favorable fundamentals and elevated consumer sentiment indexes suggest sales growth could be stronger (Chart 1).

*Control retail sales (excludes gasoline stations, food services and drinking places, building materials, and auto sales), which factor directly into GDP, were unchanged in January (consensus: +0.3%), continuing on its soft trend that started last fall. As a result, control sales are below August’s level. Control sales are on track to rise by a modest 0.4% q/q annualized in Q1 after the 0.9% q/q annualized decline in Q4 (Chart 2). Note that a 3.1% m/m decline in apparel store sales had an outsized impact on control sales in January, as most other categories improved.

*The fundamentals that suggest retail activity could be stronger include: sustained and strong job growth and healthy gains in real earnings that are lifting real disposable incomes; low interest rates that are reducing debt services costs; and strong labor market demand, which is keeping worker confidence elevated.

Non-store retail sales (includes online), which best reflects contemporary retail trends, increased by 0.3% m/m (+8.4% yr/yr) in January. This category has been surprisingly weak lately as this is its first gain since August. In contrast, general merchandise store sales have fared better recently, increasing by 0.5% m/m in January, its fourth consecutive monthly gain, lifting its yr/yr change to 2.1% from 1.9%, a nine-month high.

The details of January’s retail sales showed broad-based improvement, with nine of 13 categories increasing, the most since July (Chart 3).

Discretionary retail performance was mostly solid:

1) Sales at restaurant and bars increased by 1.2% m/m, its second consecutive monthly increase, boosting its yr/yr change to 7.4% from 6.1%, indicating that consumers are confident in their finances (Chart 4).
2) Motor vehicles and parts sales increased by 0.2% m/m, lifting its yr/yr change to 5.7% from 3.5%.
3) Sales at furniture and home furnishing stores increased by 0.6% m/m, pushing its yr/yr change up to 1.8% from 0.7%. This category is being supported by strong home sales growth.
4) Electronics and appliance store sales declined by 0.5% m/m, continuing on its downtrend that started in early 2018.
5) Apparel store sales tumbled by 3.1% m/m, reversing its outsized 2.7% m/m increase in December.
6) Sales at sporting goods stores rose by a modest 0.1% m/m, its first increase since September.

As long as consumption continues to grow, the economic expansion will continue.
Chart 1: U.S. Retail Sales (month-over-month and year-over-year, %)

Source: Census Bureau/Haver Analytics

Source: Monthly data. Source: Census Bureau and Haver Analytics

Chart 2: Control Retail Sales (month-over-month and year-over-year, %)

Source: Census Bureau/Haver Analytics

Source: Monthly data. Source: Census Bureau and Haver Analytics
Chart 3: Number of Primary Categories of Retail Sales Increasing (out of 13)

Number of primary categories of retail sales increasing (out of 13)

Source: Monthly data. Source: Census Bureau and Berenberg Capital Markets

Chart 4: Sales at Food Services and Drinking Places (year-over-year, %)

Retail Sales: Food Services & Drinking Places
% Change - Year to Year   SA, MI.$

Source: Census Bureau/Haver Analytics
Source: Monthly data. Source: Census Bureau and Haver Analytics
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