

ECONOMIC NEWS

United States: Retail Sales Dip in February

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HIGHLIGHTS

- ▶ Retail sales were down 0.4% in February after a 3.2% jump in January and decreases of 0.8% in December and 1.1% in November.
- ▶ Motor vehicle sales fell 1.8% after a surge of 7.1% in January. Service station sales dropped 0.6% in February.
- ▶ Excluding motor vehicles and gasoline, sales remained stable (0.0%) in February after rising 2.8% in January.
- ▶ Most types of retailers posted declines in February. In addition to the automotive sector, the main decreases came from department stores (-4.0%), furniture stores (-2.5%), food services (-2.2%) and the “miscellaneous” category (-1.8%).
- ▶ However, sales grew for non-store retailers (+1.6%), health and personal care stores (+0.9%) and food and beverage stores (+0.5%).

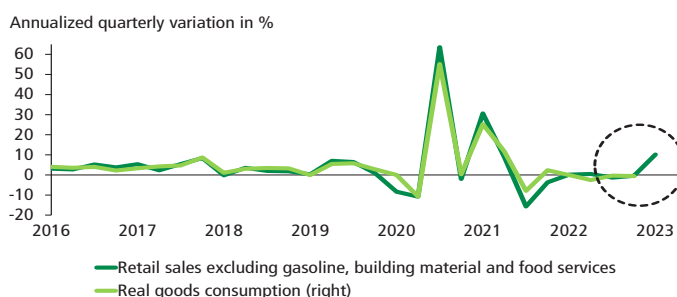
COMMENTS

After January’s surge, when sales recorded their highest monthly growth since 2001 (excluding the pandemic peaks), a lull in household spending at retailers was to be expected. That said, following a jump of 3.2%, a 0.4% decrease seems very slight. February’s sales outpaced December’s sales by 2.8%. Therefore, the decline in February is in no way a sign of weakness in consumer spending or in the U.S. economy.

In fact, barring a much larger setback in March, retail sales point to strong real consumption growth in the first quarter. However, this situation is still a bit of a paradox given the expected impact of the key rate hikes that began a year ago. While the housing market has been hit hard by rising interest rates, consumer spending is faring much better. Excluding the inflation-induced growth in sales, total sales are up 1.3% on an annual basis. However, retail sales and real consumption are expected to weaken further later in 2023.

GRAPH

Retail sales point to a solid increase in U.S. real consumption of goods in Q1



Sources: U.S. Census Bureau, Bureau of Economic Analysis and Desjardins, Economic Studies

IMPLICATIONS

Retail sales fell in February, but the decline appears very slight on the heels of January’s sharp increase. Consumer spending is doing well and would need to slow further to reduce inflationary pressures. This should signal to the Federal Reserve that it needs to continue to tighten its monetary policy. However, the current uncertainties regarding the banking sector will make that decision more difficult.