Retail sales rise more than forecast

**HIGHLIGHTS**

- Retail sales went up 1.1% in February after rising 0.2% in January.
- Auto sales also increased 1.1% after January’s 0.3% tumble. Excluding autos, sales grew 1.0% after edging up 0.4%.
- Besides automobiles, sales jumped for grocery stores, renovation centres, nonstore retailers and “other retailers”.
- Gas station sales advanced 5.0% on the sharp rise by gas prices. Excluding autos and gas, sales went up 0.4% in February.
- Furniture stores, stores associated with recreation, department stores and food services all posted steep drops.

**COMMENTS**

January’s 0.2% growth was already good news, given the headwinds that have been looming since the very beginning of the year, but the 1.1% gain by retail sales seems especially remarkable, as the consensus had called for a 0.5% increase. However, note that the value of sales was substantially inflated by service station performance, which added 0.5 percentage points to total sales growth. Even excluding autos and gas, sales did better than expected.

U.S. households seem determined to put aside the negative impacts that could have resulted from the tax hikes, the federal budget uncertainties and the major snowstorm that hit in early February. This resilience was first seen in the recent improvements to consumer confidence indexes.

Besides renovation centre sales (which, according to the national accounts, fall more into the investment category), consumption of durable goods excluding autos was still weak, with pullbacks of 1.6% by furniture stores and 0.2% by electronics stores.

**Implications:** Even excluding the effects of gas sales, growth by retail sales was very good, confirming U.S. consumer resilience at the beginning of the year.