United States: Prices Climb While Retail Sales Disappoint

HIGHLIGHTS

- Retail sales dipped 0.3% in January after stagnating in December (revised from +0.4%). Motor vehicle sales declined 1.3%, but the value of service station sales increased 1.6%. Excluding autos and gas, sales contracted 0.2% after idling in December (revised from +0.4%).

- The consumer price index (CPI) jumped 0.5% in January after a 0.2% gain in December (revised from 0.1%). Energy prices rose 3.0%. The core index, which excludes food and energy, edged up 0.3%. The annual change in the total and core CPI held at 2.1% and 1.8%, respectively.

COMMENTS

Once again, the year is off to a difficult start for retail sales. The 0.2% drop in sales excluding autos and gas contrasts with the consensus forecast of a 0.3% increase. Even the positive factors seem shaky; for example, the 1.2% growth in clothing store sales comes primarily from the 1.6% rise in apparel prices. There is therefore a risk that real consumption will be even lower than the level suggested by nominal retail sales.

With respect to prices, the increase recorded in January is striking. This is the strongest monthly growth since February 2013 for the total CPI and since March 2005 for the core index. Steep increases in clothing and car insurance prices appear to have caused some of the acceleration.

IMPLICATIONS

The data released this morning suggest weaker-than-expected economic growth, coupled with somewhat stronger inflation. It remains to be seen whether these surprises will be reversed in the coming months. For the time being, these factors have no bearing on the 25-basis point increase in U.S. key rates forecast for March.

Francis Généreux, Senior Economist