

ECONOMIC NEWS

United States: Retail Sales Growth Slows

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HIGHLIGHTS

- ▶ Retail sales rose 0.3% in February after gaining 4.9% (revised from 3.8%) in January and declining 2.7% (revised from -2.5%) in December.
- ▶ Motor vehicle sales advanced 0.8% in February. Service station sales jumped 5.3%.
- ▶ Excluding autos and gas, sales fell 0.4% after increasing 5.2% in January and dropping 3.5% in December.
- ▶ In addition to service stations, food services (+2.5%), sports and recreation stores (+1.7%) and department stores (+1.6%) posted the biggest increases.
- ▶ Retailers that saw significant declines included nonstore retailers (-3.7%), health and personal care stores (-1.8%) and furniture (-1.0%).

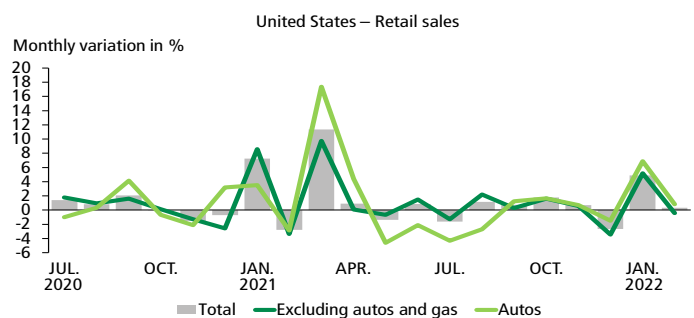
COMMENTS

February's retail sales sent mixed signals when it came to consumption in the United States. On the one hand, the revision of January's figures is considerable and shows that the year started off on a more positive note than originally thought. On the other hand, total sales growth in February was low but not far off expectations. However, considering the consumer price hikes in February, the rise in real terms was weak.

An analysis of the components revealed more surprises. Motor vehicle sales were expected to drop dramatically. Instead, we see an increase due, in all likelihood, to price and model type (sales of more expensive models).

Also, February's sales excluding autos and gas were lower than forecast. The consensus expected sales to be up 0.4%; instead, they were down 0.4%. We appear to be seeing sales react much the same as when other waves of COVID-19 began to wane. As a result, grocery store (-0.5%), drug store and nonstore sales, in

GRAPH Sales falter after January's surge



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

particular, declined, while food services and sports and recreation store sales recorded major increases in February.

That said, sales continue to fluctuate considerably, and it's difficult to identify a clear trend. Which is the real signal: December's weak sales, January's jump or February's lull? Now everyone has to deal with the fallout of the war in Ukraine. Gasoline price hikes will continue unabated in March and force consumers to adjust their spending. The negative impact on confidence risks being just as high.

IMPLICATIONS

After January's robust performance, softer retail sales in February don't come as a huge surprise. All eyes are increasingly focused on consumer reaction to the war in Ukraine.