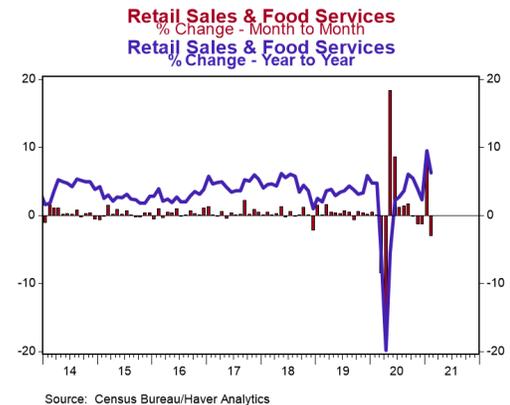


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February Retail Sales

- Retail sales declined 3.0% in February (-1.1% including revisions to prior months), lagging the consensus expected decline of 0.5%. Retail sales are up 6.3% versus a year ago.
- Sales excluding autos fell 2.7% in February (-0.7% including revisions to prior months), lagging the consensus expected gain of 0.1%. These sales are up 5.5% in the past year. Excluding gas, sales declined 3.5% in February, but are up 6.7% from a year ago.
- The decline in sales in February was led by autos, non-store retailers (internet & mail-order), and general merchandise stores.
- Sales excluding autos, building materials, and gas fell 3.3% in February. If unchanged in March, these sales will be up at a 15.4% annual rate in Q1 versus the Q4 average.



Implications: Retail sales took a breather in February, falling 3.0% for the month. Eleven of thirteen major categories declined in February, with autos leading the way. However, this is not the start of some new negative trend. First, after revisions, January retail sales now show a huge gain of 7.6% for the month. Second, the mid-section of the country was blasted by a brutal polar vortex and winter storms in February, which cut power to the state of Texas, and some other areas. Third, the IRS’s tax filing window opened two weeks later than normal, delaying refunds. With another round of stimulus checks hitting bank accounts over the coming days and the additional easing of lockdown restrictions nationwide, expect a large retail rebound in March. But more important than any stimulus is the vaccine. As it continues to roll out lockdowns and restrictions will continue to ease. More than 135.8 million vaccine doses have been distributed nationwide with 109.1 million administered. As the vaccine rollout continues, expect confidence to continue to come back. Even with the drop in retail sales for February, overall sales remain 6.3% higher than the February 2020’s pre-COVID level, meaning retail sales have had more than a full V-shaped recovery. However, this recovery from the COVID shutdowns has been anything but even. For instance, non-store retailers, including online sales, are up +25.9%, sporting goods store sales are up +15.4%, building materials (+14.2%), and auto sales (+9.2%) - all significantly faster than overall retail sales in the past year. On the other hand, restaurants & bar sales are down -17.0% and clothing store sales are off -11.3% from year-ago levels. “Core” sales, which exclude the most volatile categories of autos, building materials, and gas station sales, declined 3.3% in February, but are up 5.2% from a year ago. Moving forward, expect further gains in retail sales as even more new stimulus money will be flowing into Americans’ wallets in the coming weeks, and we start to approach herd immunity. In other news on the inflation front, import prices jumped 1.3% in February, largely the result of a 11.1% surge in fuel prices. Meanwhile, export prices increased 1.6%, as agricultural export prices jumped 2.9%. In the past year, import prices are up 3.0%, while export prices are up 5.2%. Jumps like these indicate the rising inflation trend we are likely to witness in the year ahead.

Retail Sales <i>All Data Seasonally Adjusted</i>	Feb-21	Jan-21	Dec-20	3-mo % Ch. Annualized	6-mo % Ch. annualized	Yr to Yr % Change
Retail Sales and Food Services	-3.0%	7.6%	-1.3%	12.6%	6.8%	6.3%
Ex Autos	-2.7%	8.3%	-2.1%	13.4%	6.5%	5.5%
Ex Autos and Building Materials	0.0%	8.5%	-2.2%	13.9%	6.2%	4.8%
Ex Autos, Building Materials and Gasoline	-3.3%	8.8%	-3.1%	7.7%	3.2%	5.2%
Autos	-4.2%	5.0%	1.8%	9.8%	8.1%	9.2%
Building Materials	-3.0%	4.9%	-0.3%	5.8%	6.5%	14.2%
Gasoline	3.6%	5.9%	7.5%	93.5%	39.3%	1.4%

Source: Bureau of Census