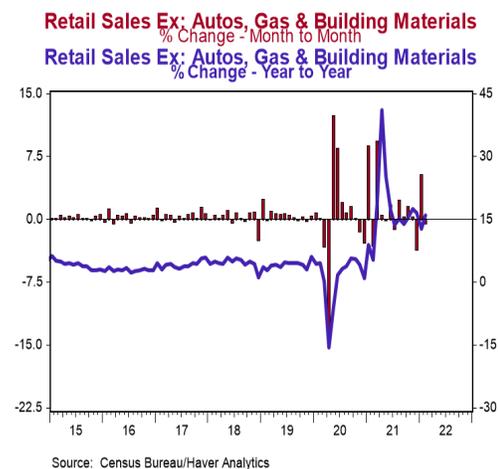
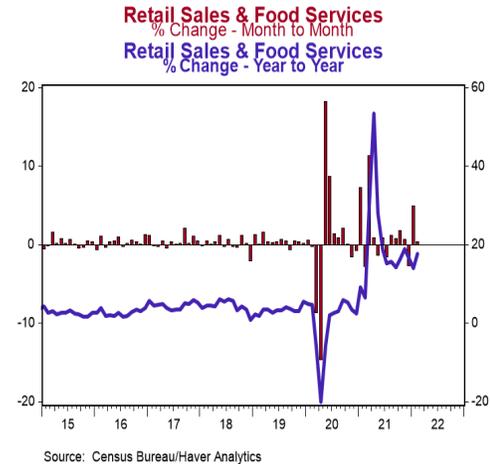


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February Retail Sales

- Retail sales rose 0.3% in February (+1.3% including revisions to prior months). The consensus expected a gain of 0.4%. Retail sales are up 17.6% versus a year ago.
- Sales excluding autos rose 0.2% in February (+1.1% including revisions to prior months). The consensus expected a gain of 0.9%. These sales are up 17.7% in the past year. Excluding gas, sales declined 0.2% in February but are up 16.1% from a year ago.
- The increase in sales in February was led by gas stations, restaurants & bars, and autos. The largest decline was for non-store retailers.
- Sales excluding autos, building materials, and gas fell 0.6% in February, but including prior months' revisions were up 0.6%. If unchanged in March, these sales will be up at a 10.0% annual rate in Q1 versus the Q4 average.

Implications: Nothing in today's report on retail sales should make the Fed hesitate to raise rates by 25 basis points this afternoon. Retail sales grew very close to consensus expectations for February itself, rising 0.3% for the month. But, including revisions to prior months, sales rose 1.3%. Seven of the thirteen major sales categories were up in February, led by gas stations, restaurants & bars, and autos. However, it's important to remember that retail sales are not adjusted for inflation. Sales at gas stations rose 5.3%, due to higher prices. In fact, average gasoline prices rose by 5.8% in February, or 20 cents per gallon. Average gas prices in March are likely to be even higher. Adjusted for the consumer price index, overall retail sales declined 0.5% in February. As of now, the consumer remains on solid footing with disposable income up, and unemployment at 3.8%. Sales at restaurants & bars grew 2.5% in February after declining the previous two months. We believe much of this gain is due to the dramatic decline in COVID cases. Overall retail sales are up a robust 17.6% from a year ago. Another way to look at it is that sales are up 25.2% versus February 2020, which was pre-COVID. "Core" sales, which exclude the most volatile categories of autos, building materials, and gas station sales, declined 0.6% in February, but are up 15.9% from a year ago, and up 22.1% versus February 2020. In other words, due to a very loose monetary policy and the massive increase in government transfer payments in response to COVID, retail sales are still running much hotter than they would have had COVID never happened, even as the level of output (real GDP) is still running lower than it would have been in the absence of COVID. It has not been an even recovery for all major categories, though. While categories like online shopping, sporting goods stores, and gas stations have had above-trend growth since COVID began, others, like restaurants & bars, weren't back to pre-COVID levels until April of 2021. In the months ahead, the path of retail sales will be a battle between a number of opposing factors. Rising wages, jobs, and inflation will all be tailwinds for retail sales, while the waning of the temporary and artificial boost from "stimulus" checks and other government benefits will be headwinds. In other news this morning, import prices rose 1.4% in February while export prices increased 3.0%. In the past year, import prices are up 10.9%, while export prices are up 16.6%. Expect prices to continue to move higher in the months ahead due to the effects of the war in Eastern Europe and the very loose stance of monetary policy.



Retail Sales <i>All Data Seasonally Adjusted</i>	Feb-22	Jan-22	Dec-21	3-mo % Ch. Annualized	6-mo % Ch. annualized	Yr to Yr % Change
Retail Sales and Food Services	0.3%	4.9%	-2.7%	10.0%	11.8%	17.6%
Ex Autos	0.2%	4.4%	-3.0%	6.1%	9.6%	17.7%
Ex Autos and Building Materials	0.0%	4.5%	-3.1%	5.4%	8.6%	18.0%
Ex Autos, Building Materials and Gasoline	-0.6%	5.3%	-3.7%	3.6%	6.1%	15.9%
Autos	0.8%	6.9%	-1.5%	27.0%	21.0%	17.2%
Building Materials	0.9%	2.7%	0.6%	18.3%	23.3%	14.8%
Gasoline	5.3%	-1.7%	1.2%	20.5%	30.6%	36.4%

Source: Bureau of Census