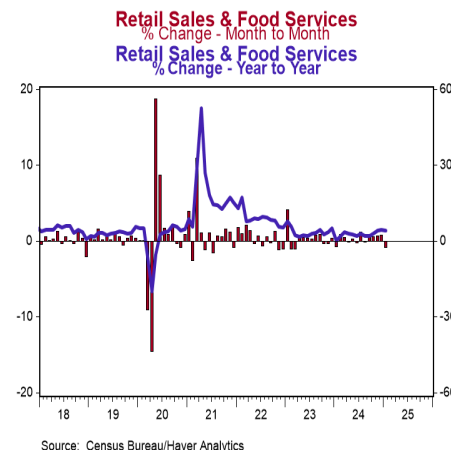


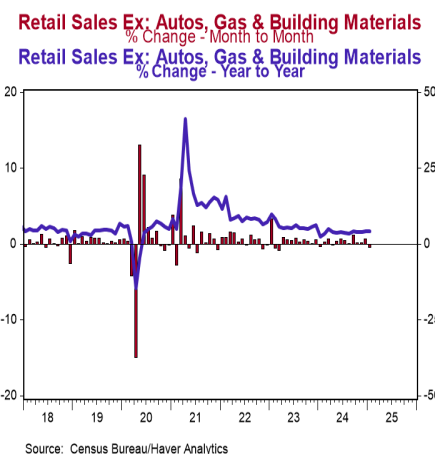
January Retail Sales

Nate Gerze, CFA – Economic Analyst
 Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist

- Retail sales declined 0.9% in January (-0.7% including revisions to prior months), widely lagging the consensus expected decline of 0.2%. Retail sales are up 4.2% versus a year ago.
- Sales excluding autos declined 0.4% in January (-0.3% including revisions to prior months), well below the consensus expected +0.3%. These sales are up 3.7% in the past year.
- The largest declines in January were for autos and nonstore retailers. The largest increase was for gas stations.
- Sales excluding autos, building materials, and gas declined 0.5% in January. If unchanged in February/March, these sales will be unchanged in Q1 versus the Q4 average.



Implications: US consumers pulled back sharply in the first month of the year, with sales declining by the most in nearly two years. It’s possible bad weather and wildfires had something to do with it, but the details of the report were ugly. The 0.9% decline in January (-0.7% when factoring in revisions to previous months) was broad-based, with nine out of thirteen categories showing declines, led by a 2.8% pullback in auto sales, which had been running hot of late (up 8.3% in 2024, the biggest increase since 2021). We like to follow “core” sales, which strips out the often-volatile categories for autos, building materials, and gas. That measure declined 0.5% in January, the largest drop since March 2023. Within core sales, nonstore retailers (internet and mail-order) were responsible for most of the decline, falling 1.9%. The good news is that sales at restaurant and bars rose a solid 0.9% in January. We watch this category closely since it is the only glimpse we get at services in the retail sales report, which suffered heavily during the COVID years but have since returned to the forefront for the US consumer. As a whole, retail sales are up 4.2% on a year-to-year basis. “Real” inflation-adjusted retail sales are up 1.2% in the past year but still down from the peak in early 2021. This highlights the ugly ramifications of inflation: consumers are paying higher prices today but taking home fewer goods than they were more than three years ago. And while the Fed has cut interest rates a total of 100bps since September, it is not at all clear that inflation problems are behind us. We hope they have the resolve to stomp out the embers of inflation even if economic troubles come. In other news this morning, import prices rose 0.3% in January while export prices jumped 1.3%. In the past year, import prices are up 1.9% while export prices are up 2.7%.



Retail Sales <i>All Data Seasonally Adjusted</i>	Jan-25	Dec-24	Nov-24	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	-0.9%	0.7%	0.7%	1.9%	3.7%	4.2%
Ex Autos	-0.4%	0.7%	0.1%	1.3%	2.8%	3.7%
Ex Autos and Building Materials	-0.4%	0.8%	0.2%	2.6%	3.4%	3.9%
Ex Autos, Building Materials and Gasoline	-0.5%	0.7%	0.2%	1.4%	3.5%	4.1%
Autos	-2.8%	0.9%	3.1%	4.7%	7.4%	6.4%
Building Materials	-1.3%	-1.6%	-0.7%	-13.6%	-4.9%	0.7%
Gasoline	0.9%	2.1%	0.2%	13.9%	2.2%	2.0%

Source: Bureau of Census