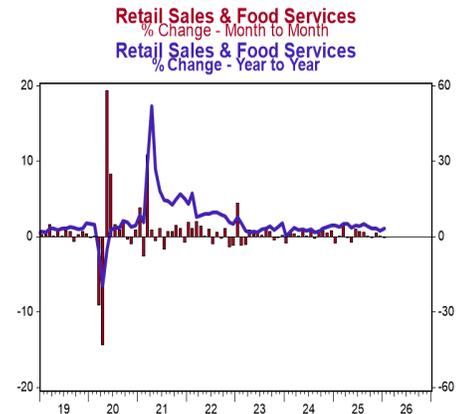


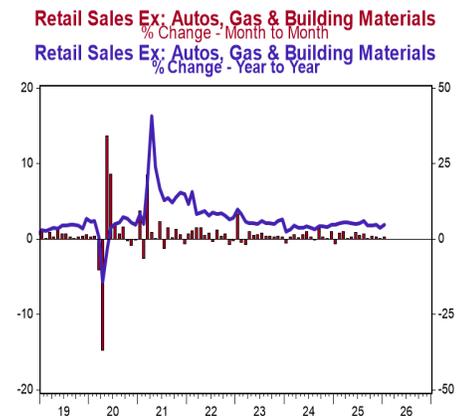
January Retail Sales

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- Retail sales declined 0.2% in January, versus the consensus expected -0.3%. Retail sales are up 3.2% versus a year ago.
- Sales excluding autos were unchanged in January, matching consensus expectations. These sales are up 3.9% in the past year.
- The largest declines in January were gas stations, health & personal care stores, and autos. The largest increase was for nonstore retailers.
- Sales excluding autos, building materials, and gas rose 0.2% in January (+0.3% including revisions to prior months). If unchanged in February and March, these sales will be up at a 1.3% annual rate in Q1 versus the Q4 average.



Source: Census Bureau/Haver Analytics



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Implications: Overall retail sales declined in January as severe winter weather that swept across much of the country disrupted consumer activity during the month. Looking at the headline, the -0.2% decline was slightly better than the consensus estimate of -0.3%, with seven out of the thirteen major service industries moving lower in the month. Looking at the details, the largest decline came from a 3.0% drop at health & personal care stores – the biggest decline for the category since the COVID lockdown. Falling sales at gasoline stations (-2.9%) and autos (-0.9%) also contributed. The good news is that “core” sales, which strip out the volatile categories for autos, building materials, and gas stations – important for estimating GDP – rose 0.2% in January and was revised slightly higher in previous months. The effects of cold weather were most evident among brick-and-mortar retailers; along with the drop at health care and personal stores, sales also fell sharply at clothing stores (-1.7%) and sporting goods stores (-1.2%). Meanwhile, the category for restaurants & bars – the only glimpse we get at services in this report – slipped 0.2% in January, the third decline in the last four months. These sales are up 3.9% in the last year (above the increase for overall sales) and will be worth watching in the months ahead as a bellwether for the consumer's overall well-being. Another category we are closely monitoring is non-store retailers (think internet and mail-order), which naturally benefitted from consumers stuck at home during the month. This category increased 1.9% in January and is up 10.9% in the past year, the highest of any major category. Finally, it’s important to remember the impact inflation has on retail sales. Overall sales have risen 3.2% in the past twelve months, but “real” inflation-adjusted sales were up only 0.7% during that timeframe and still below the peak in early 2022. In other words, no growth in nearly four years. While some of the weakness in this month’s report may reverse in the months ahead, the broader trend remains soft. In other recent news, import prices rose 0.2% in January while export prices rose 0.6%. In the past year, import prices are down 0.1%, while export prices have risen 2.6%.

Retail Sales <i>All Data Seasonally Adjusted</i>	Jan-26	Dec-25	Nov-25	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	-0.2%	0.0%	0.5%	1.4%	1.6%	3.2%
Ex Autos	0.0%	0.0%	0.4%	1.8%	2.6%	3.9%
Ex Autos and Building Materials	0.0%	0.0%	0.4%	1.2%	2.4%	3.8%
Ex Autos, Building Materials and Gasoline	0.2%	0.0%	0.3%	2.0%	2.8%	4.7%
Autos	-0.9%	-0.2%	0.9%	-0.6%	-2.5%	0.1%
Building Materials	0.6%	1.2%	1.4%	13.6%	5.3%	4.3%
Gasoline	-2.9%	-0.1%	1.3%	-6.6%	-1.6%	-3.7%

Source: U.S. Census Bureau