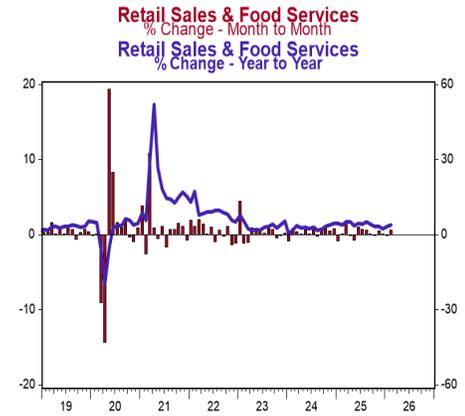


## February Retail Sales

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

- Retail sales rose 0.6% in February (+0.7% including revisions to prior months), versus the consensus expected +0.5%. Retail sales are up 3.7% versus a year ago.
- Sales excluding autos rose 0.5% in February (+0.4% including revisions to prior months), versus the consensus expected +0.3%. These sales are up 3.6% in the past year.
- The largest increases in February were for autos, nonstore retailers, and health & personal care stores. The largest decline was for grocery stores.
- Sales excluding autos, building materials, and gas rose 0.4% in February (+0.3% including revisions to prior months). If unchanged in March, these sales will be up at a 2.0% annual rate in Q1 versus the Q4 average.

**Implications:** Retail sales generated a strong headline for February, but the broader picture remains soft. Looking at the headline, overall retail sales beat expectations and rose 0.6% for the month – the largest increase since July – while previous activity was revised higher. However, much of that increase can be attributed to a bounce-back in sales after severe winter weather held back activity in January. Taking a step back, overall retail sales have risen 3.7% in the past twelve months, but are up just 1.8% annualized in the last six months. It’s also important to remember the impact of inflation. “Real” inflation-adjusted sales are up 1.3% in the past twelve months, but are down at a 0.7% annualized rate over the last six months. Looking at the details for February itself, the largest increases came from a 1.2% recovery in auto sales, while rising purchases at gasoline stations (+0.9%) also contributed. We like to follow “core” sales, which strip out the volatile categories for autos, building materials, and gas stations – important for estimating GDP. This measure rose 0.4% in February but was revised slightly lower in previous months. Within the core grouping, rising sales at nonstore retailers (+0.7%) contributed, along with a rebound across most brick-and-mortar categories. Meanwhile, the category for restaurants & bars – the only glimpse we get at services in this report – rose 0.4% in February after declining in three out of the four months prior. These sales are up 5.2% in the last year (above the increase for overall sales) but will be worth watching in the months ahead as a bellwether for the consumer's overall well-being. In other recent news, the M2 measure of the money supply rose 0.9% in February (+11.1% annualized), the fastest monthly pace since October 2021. Despite the jump, it’s up at a 5.3% rate in the past six months and 4.9% in the past 12 months, which still lag the 6.0% growth rate in the ten years prior to COVID. On the employment front, ADP’s measure of private payrolls increased 62,000 in March versus a consensus expected 40,000. We’re estimating Friday’s official report will show a nonfarm payroll gain of 76,000 with the unemployment rate remaining steady at 4.4%. Keep in mind this report falls on Good Friday, and along with many other companies in the US, First Trust will be closed in observance of this sacred day. We will release our analysis on Monday after Easter. In other employment news, initial jobless claims rose 5,000 two weeks ago to 210,000, while continuing claims fell 32,000 to 1.819 million. Finally on the housing front, the FHFA index rose 0.1% in January and is up 1.6% in the past year, while the national Case-Shiller index rose 0.2% in January and is up 0.9% from a year ago.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Retail Sales <i>All Data Seasonally Adjusted</i>	Feb-26	Jan-26	Dec-25	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
<b>Retail Sales and Food Services</b>	<b>0.6%</b>	-0.1%	0.0%	2.0%	1.8%	3.7%
<b>Ex Autos</b>	<b>0.5%</b>	0.0%	0.0%	2.0%	2.3%	3.6%
<b>Ex Autos and Building Materials</b>	<b>0.5%</b>	0.0%	-0.1%	1.6%	2.1%	3.6%
<b>Ex Autos, Building Materials and Gasoline</b>	<b>0.4%</b>	0.2%	-0.1%	2.1%	2.1%	4.1%
<b>Autos</b>	<b>1.2%</b>	-0.7%	0.0%	1.9%	-0.3%	4.0%
<b>Building Materials</b>	<b>0.4%</b>	0.6%	1.1%	9.0%	5.8%	3.8%
<b>Gasoline</b>	<b>0.9%</b>	-1.9%	0.4%	-2.7%	2.5%	-0.7%

Source: U.S. Census Bureau