New York • London • Boston
DECISION ECONOMICS, INC.
Information for Decisions™

U.S. Economic Indicator and Insights

February 12, 2015

Soft Start to Retail Q1, Claims Still on Trend

by Andrew Husby*

January retail sales miss already-depresseed expectations, falling 0.8% (Consensus: -0.5%; DE: -0.3%) on the headline and a similar 0.9% excluding autos (Consensus: -0.4%; DE: -0.3%).

Gasoline was again the main culprit (-9.3%), but the rebound in ex-food, autos, building materials, and gas stations core figure rose only 0.1%, after a 0.3% decline in December. That result should still be seen in the context of solid year-end gains, but 2015 starts on a weak note.

Data Details

Headline retail sales drop 0.8%, after a December result revised up marginally to -0.9%, with vehicles and parts down 0.5% (December -0.8%) and gasoline store sales down for a sixth month at -9.3% (December -7.4%).

Electronics and appliances were -1.6% (Nov. 0.1%), building materials 0.6% (Dec. -0.7%), apparel -0.8% (Dec. -1.2%), and general merchandise stores rebounding only 0.1% (Dec. -0.9%).

There was a hint of a shift to online shopping, nonstore retailers up 0.5% (after November +0.8% and December -0.3%), sales there still up 8.3% y/y.

Discretionary categories, including electronics, apparel, restaurants, sporting goods, and general merchandise stores rose only 0.1%, after December -0.2%, after a string of five consecutive gains of 0.5% or better that still leaves the y/y rate in excess of 5%, accelerating from 4.7% in January as a result of a very weak year-ago base.

Conclusions

Revisions may still alter trends, but the very moderate underlying increase will keep first quarter consumer spending forecasts subdued. A decline in prices may have to do the heavy lifting in order to keep inflation-adjusted consumer spending rising at a rate in excess of 2% annualized, holding Q1 GDP expectations still within, but on the lower end of the 2% to 3% range DE saw prior to the release. Risks are higher than normal, as inventory build and net exports will still be revised, and the range of potential Q1 outcomes are wide.

Other data released this morning showed a labor market still generally on track, as a greater-than-expected 25,000 increase in initial jobless claims (Consensus: +10,000 to 288,000; DE: +12,000) was matched by a 51,000 decline in continuing claims. Initial claims data cover the third of four payroll-February weeks.

*Sr. Economist, New York, +1 212 884 9447, ahusby@decisioneconomicsinc.com

That gives support to DE's expectation that the consumer will remain a key support of upward momentum in the U.S. economy. DE expects any near-term weakness to be outweighed by the net positive shock to spending over time, better labor market conditions and wage growth.