

Economic Analysis

January Retail Sales Provide Strong Start to 1Q16

Amanda Augustine

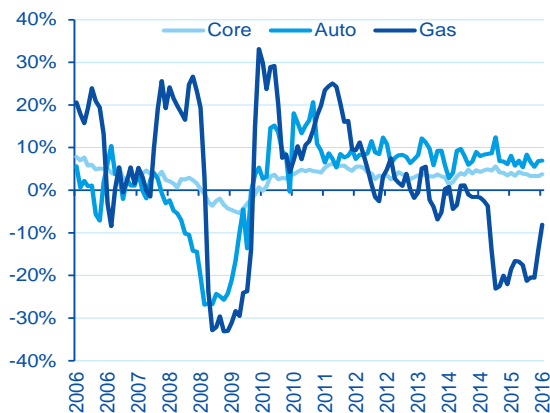
- **Retail sales rose 0.2% MoM while core sales increased 0.4% MoM**
- **Purchases rose in 8/13 categories, including auto, e-commerce and building supplies**
- **Job gains, wage growth and gas savings will continue to drive consumer spending**

Consumer spending saw a comeback in January, as retail sales rose higher than expected, increasing 0.2% MoM and 3.4% YoY. Core sales were also above expectations, rising 0.4% MoM and 3.8% YoY. Sales increased in eight out of thirteen major categories, with the exceptions including furniture, sporting goods, and most predictably, gasoline sales. With oil prices at record lows, receipts at gas stations were down 3.1% MoM and 8.1% YoY, which actually provides some relief after the consistent double-digit YoY declines in 2015.

In contrast, auto sales were one of the strongest points of this release, rising 0.6% MoM and an impressive 6.9% YoY. The BEA's most recent motor vehicle sales report hints that January's sales increase was driven by domestic light truck sales, while sales of foreign-made trucks slowed. In addition to autos, sales of building material and garden equipment rose 0.6% MoM, perhaps due to the snowstorm which hit the Northeast and Mid-Atlantic last month and drove people to the hardware store in search of much-needed shovels. Nonstore retail sales also stood out in January, posting the highest MoM gain this month with a 1.6% rise. On a YoY level, nonstore sales were up 8.7%—their highest YoY rise since March 2013, reflecting the increasing market strength of e-commerce retailers like Amazon.

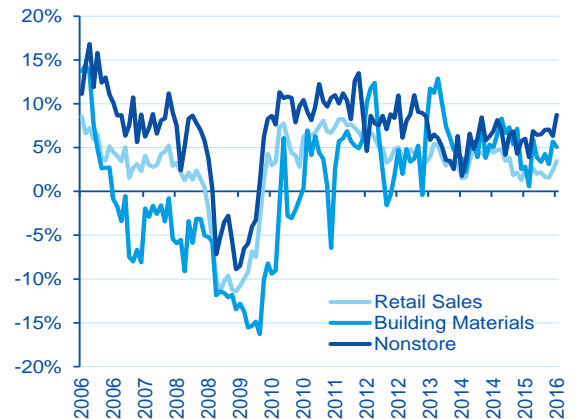
January's increase in retail sales is a strong start to 1Q16, and we expect that consumer spending will continue to underpin economic growth throughout the rest of the year. The most recent employment report pointed to job gains and especially high wage growth, which, along with gas savings, should continue to drive consumers to the stores in upcoming months.

Chart 1
Core, Auto and Gas Sales
YoY %Change



Source: US Census Bureau & BBVA Research

Chart 2
Retail Sales and Selected Categories
YoY %Change



Source: US Census Bureau & BBVA Research

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