

## United States

### Retail sales and labour market show better than expected resilience to cold weather

- **New jobless benefit claims at three-month low**
- **Retail sales rise more than expected, but first quarter still looking weak**
- **Adds to likelihood of Fed continuing to taper**

Jobless benefit claims and retail sales both beat expectations, providing reassurances that the US is coping better than many had anticipated in face of severe cold weather.

Initial jobless claims fell from 324,000 to a three-month low of 315,000 last week, confounding expectations of a rise to 330,000.

The four-week average of new jobless claims, which provides a less noisy indication of where the labour market is heading, also fell, dropping to 330,500, its lowest since the first week of December. The claims data therefore bode well for an upturn in the non-farm payroll numbers for March.

Retail sales meanwhile recovered from falls in the previous two months, rising 0.3% in February compared to expectations of a 0.2% rise. However, the improvement merely follows a 0.6% fall in January and a 0.3% decline in December, both thought to have been caused primarily by adverse weather. Over the latest three months, sales are down 0.3%, the worst performance since July 2012.

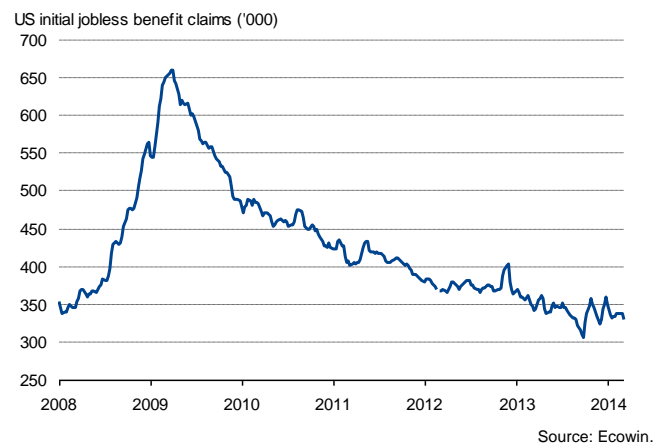
While policymakers have made it clear they will not be overly worried about any weakness of the data in recent weeks, viewing this as purely due to the severe weather, they will equally not get too excited about stronger data as the numbers rebound.

It will take until perhaps April that a clear picture will emerge as to the true underlying health of the US economy, suggesting that the Fed will be inclined to make no adjustments to policy until then, meaning asset purchases will continue to be tapered by \$10bn per month.

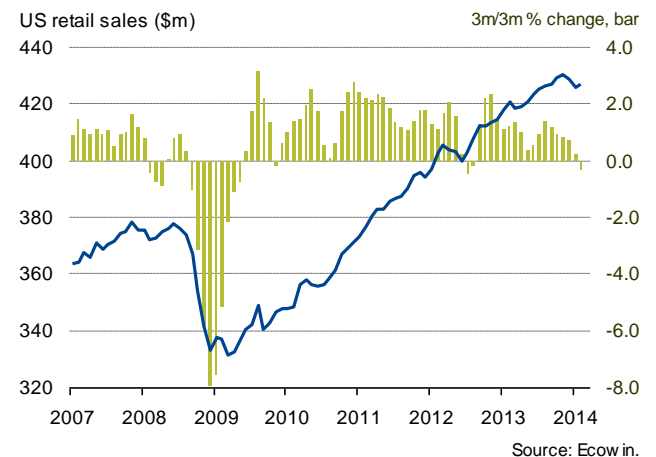
Despite the improvements, the economy still looks to have struggled in the first quarter. Average monthly retail sales figures so far point to a 0.6% drop in spending in the first quarter (or a 2.4% annualised rate of decline), and Markit's manufacturing and service sector PMI<sup>™</sup> surveys have indicated that business

activity and consumer spending has been disrupted to the extent that annualised GDP growth may have slipped from 2.4% in the fourth quarter of 2013 to just 1.6% in the first three months of 2014, though we await March data to get a more comprehensive picture.

#### Jobless benefit claims



#### Retail sales



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