

United States

Retail sales growth hits five-month high in February

- Sales rise 1.1% in February
- Upturn in retail sales adds to view of resilient US economy in first quarter

The consumer remains in an upbeat spending mood, with retail sales rising more than expected in February.

Total retail sales in the US were expected to have increased by 0.5%, with core sales (which exclude autos, gas stations and building materials) up a more modest 0.2%. Instead, sales jumped 1.1% compared with January, the strongest monthly rise since last September. Part of the increase could be explained by higher gasoline prices, but core sales were also up twice as much as anticipated, rising 0.4%.

The data add to the view that the US economy continues to show reassuring resilience in the face of fiscal headwinds, and that consumers will help drive a further upturn in the economy in the first quarter. Final sales grew 1.5% in the final quarter of 2012 and with retail sales growing 1.3% in the three months to February, a similar increase may be likely for the first quarter as a whole. Alongside signs of gathering momentum in the manufacturing sector (the quarterly rate of growth of output accelerated to 1.9% in January), the combination of rising consumer spending and increased production bodes well for an upturn in GDP from the disappointing 0.1% annualised growth rate seen in the fourth quarter.

Together with the better than expected non-farm payroll data for February and the drop in unemployment to 7.7%, the brighter picture for retail sales will give the Fed some encouragement that policy is working to help drive an increasingly robust economic upturn. However, it remains far too early to gauge just how sustainable looking that upturn really is.

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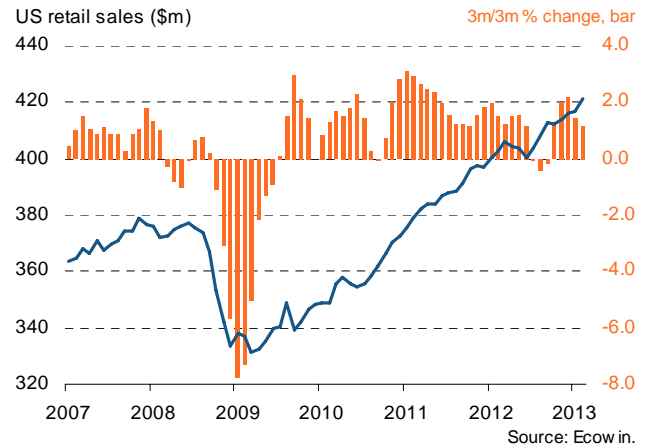
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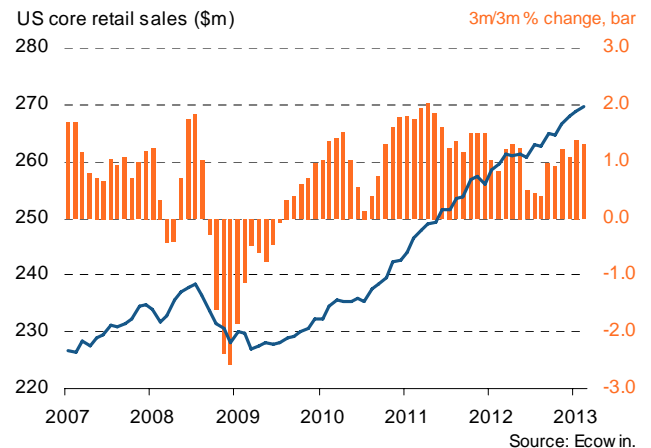
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Retail sales



'Core' sales



Retail sales and total final sales

