

United States

Retail sales show reassuring rebound in January

- **Core retail sales up 0.6% in January**
- **Signs of consumer spend rising on goods but waning on services potentially due to adverse weather**
- **Investors take up short positions**

Official data showed US retail sales rebounding in January after a disappointing end to 2015. Core sales were 0.6% higher after declining 0.3% in December and the best rise since last May, according to official data from the Commerce Department.

The sales rebound provides some much-needed good news to provide reassurance that the economy retains some solid underlying growth momentum. As such, the data keep alive the possibility of a further rate hike in March, albeit with a very low probability attached.

Total retail sales were up a more modest 0.2%, though this was mainly due to lower gasoline receipts resulting from the cheaper oil price.

While lower oil prices hit the revenues of service stations, down 3.1% in January, the plus side is that households appear to be using some of the windfall from lower fuel bills to boost other expenditures, especially spending on cars and clothing.

The official data therefore confirm [survey data indicating that robust demand for consumer goods](#) continued to act as an important prop to the economy in January as households benefit from falling prices and improving wage growth.

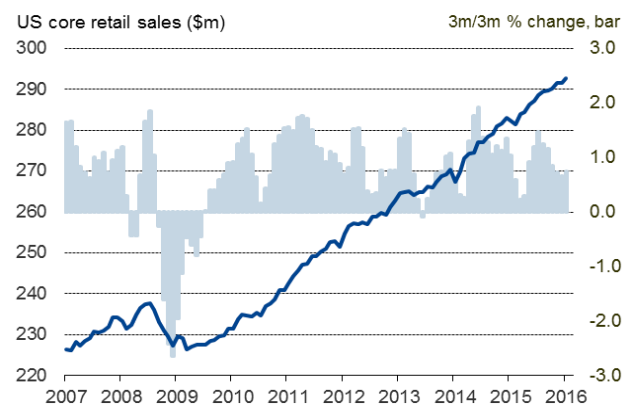
However, both survey and official data also show that demand for consumer services has waned after showing strong growth last year. Consumer services firms sank to the bottom of Markit's PMI survey growth rankings in January, after riding at the head of the table alongside consumer goods producers throughout last year.

The Commerce Department likewise showed sales at bars and restaurants were down 0.5% in January to show the largest decline since the start of 2014.

It remains to be seen whether this is a meteorological effect after extreme weather hit parts of the economy

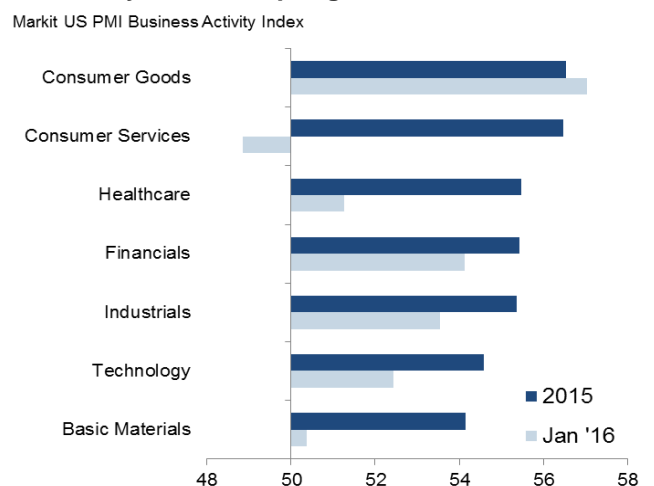
at the start of the year, or something more worrying. Investors perhaps fear the worst, positioning themselves for disappointing corporate results for consumer services firms. Shares from the sector are currently the [most shorted](#) behind only oil & gas and basic materials firms.

US core retail sales



Source: Ecowin.

PMI survey sector output growth rates



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