

# Retail Sales - Trending Towards a Normal Environment

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On March 14th, the U.S. Census Bureau released its Advance Monthly Sales for Retail and Food Services report for February. February was the second month in a row of disappointing retail sales. In addition, January results were revised down from an already lower than expected number. The table below details the sales by category and time period. February increased by 1.5% y/y and was up 0.6% m/m. The expectation was for February to be up by 0.8% versus last month. Total retail sales growth of +0.3% m/m, after removing motor vehicle and gasoline station sales, came in-line with the consensus. We continue to see a pattern of slowing in many of the more discretionary categories including furniture, electronics & appliances, building materials, and sporting goods. Online and restaurant spending continue to generate mid-single-digit growth on a y/y basis. This is especially significant as these two categories account for almost 30% of total retail sales.

(Figures are in billions)	<u>2/29/24</u>	<u>1/31/24</u>	<u>12/31/23</u>	<u>2/28/23</u>	Expected		
					<u>M/M</u>	<u>M/M</u>	<u>Y/Y</u>
Retail & food services,	700.7	696.7	704.1	690.4	0.8%	0.6%	1.5%
Total (excl. motor vehicle & parts)	566.8	564.9	569.5	558.2		0.3%	1.5%
Retail	607.4	603.8	610.3	602.6		0.6%	0.8%
Motor vehicle & parts dealers	133.9	131.8	134.6	132.1		1.6%	1.4%
Auto & other motor veh. dealers .	122.6	120.5	123.2	121.2		1.8%	1.2%
Furniture & home furn. Stores	10.6	10.7	10.7	11.8		-1.1%	-10.1%
Electronics & appliance stores	7.8	7.7	7.5	7.6		1.5%	1.9%
Building material & garden	40.4	39.5	41.3	43.0		2.2%	-6.1%
Food & beverage stores	82.6	82.5	82.8	82.2		0.1%	0.4%
Grocery stores	74.1	74.1	74.2	73.9		-0.1%	0.2%
Health & personal care stores	36.0	36.1	36.6	35.4		-0.3%	1.7%
Gasoline stations	53.0	52.6	53.3	55.5		0.9%	-4.5%
Clothing & clothing accessories	26.3	26.4	26.6	25.9		-0.5%	1.3%
Sporting goods, hobby, book &	8.5	8.5	8.5	8.7		0.0%	-3.0%
General merchandise stores	73.8	73.5	73.5	73.2		0.4%	0.7%
Department stores (ex. L.D.)	11.1	11.1	11.0	11.6		-0.2%	-4.4%
Miscellaneous store retailers	15.8	15.7	15.7	15.3		0.6%	3.2%
Nonstore retailers	118.8	118.8	119.2	111.7		-0.1%	6.4%
Food services & drinking places	93.3	92.9	93.8	87.8		0.4%	6.3%
Retail & food services,	700.7	696.7	704.1	690.4	0.8%	0.6%	1.5%
(-) Motor vehicle & parts dealers	<u>133.9</u>	<u>131.8</u>	<u>134.6</u>	<u>132.1</u>		<u>1.6%</u>	<u>1.4%</u>
	566.8	564.9	569.5	558.2	0.5%	0.3%	1.5%
(-) Gasoline stations	<u>53.0</u>	<u>52.6</u>	<u>53.3</u>	<u>55.5</u>		<u>0.9%</u>	<u>-4.5%</u>
	513.7	512.3	516.2	502.7	0.3%	0.3%	2.2%

We think the slowing over the last few months is due to a combination of three things. First, we expect that the consumer can't keep up with the growth of spending we saw in 2021 and 2022. The average monthly growth of those two years was 14.4%. During those years excess savings and consumer confidence was high. While our positive view of the consumer remains intact we expect the unique tailwinds that led to robust post-covid spending will erode. In other words, we are returning to a more "normal" spending pattern. The graph below illustrates this point. Second, inflation has come down and the Advanced Retail Sales results do not account for the change in the price of goods. CPI escalated throughout 2021 and 2022 to a peak of 9.1% on 6/30/22. We have been just above 3% for the last few months. Finally, we have been through a string of solid holiday spending seasons which are typically more emotionally driven spending months. Perhaps, consumers pulled forward some of their spending budget from the beginning of 2024. The 2023 holiday season which came in at +3.9% versus last year. Holiday sales in 2022 were +5.6% which trailed two consecutive years of above 11% growth. The ten years before covid averaged +3.8% per year.

### TOTAL MONTHLY ADVANCED RETAIL SALES



All data presented in this paper was sourced from the United States Census Bureau.

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