

# U.S. Flash

## Retail Sales Sluggish in January Due to Slowdown in Autos

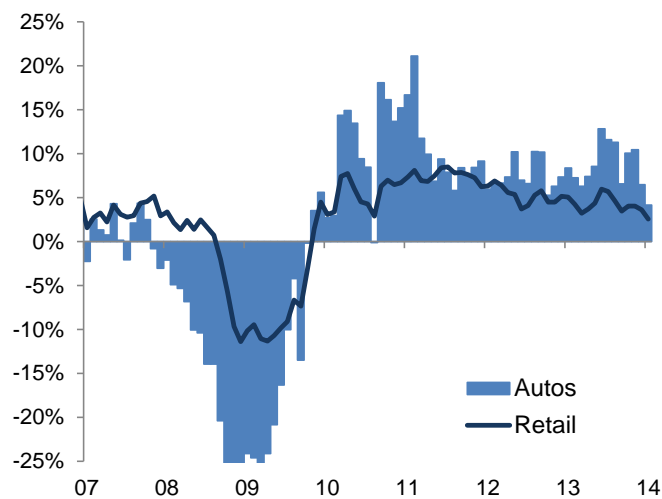
- Total retail sales fell -0.4% in January, but remained flat excluding auto sales
- Drop in retail sales likely biased by snowstorms and extreme weather conditions
- Lower-than-expected sales will likely shift down 1Q14 GDP consensus forecasts

Retail sales dropped by a seasonally adjusted 0.4% on a MoM basis in January, dragged down by a slowdown in auto sales to start the year. The decline in retail sales marks the biggest MoM decline since June 2012. Excluding auto sales, retail sales remained unchanged in the month of January. Food services and drinking places declined for the second consecutive month, falling 0.55% in January after dropping 0.7% in the month prior, likely attributed to the colder-than-expected winter that has affected tens of millions of people across the country. On a YoY basis, overall retail sales continue to show healthy improvements and are a bright spot for the slowly expanding economy, as retail sales account for roughly one-third of consumer spending. Although there are existing concerns of an auto-industry slowdown, YoY numbers for auto-sales continue to remain positive and growth in the industry appears robust for now.

Overall, we would not read too much into the retail sales decline, as many factors were likely to play a part in the MoM decline. The extreme cold weather that has been hitting much of the country over the past month certainly played a part in the drop off in retail spending, particularly for autos, restaurants and malls. Although retail sales have now declined for two consecutive months and other recent economic indicators appear sluggish as of late, we believe there is no need to overreact, as the economy is still growing at a modest pace on a YoY basis. Although the retail sales data will likely put downward bias on our 1Q14 GDP estimate, we still forecast consumer spending to accelerate over the year and provide a boost to economic growth.

Chart 1

### Retail and Auto Sales YoY % Change



Source: US Census Bureau & BBVA Research

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