

Snap | 15 February 2023

UNITED STATES

# US retail sales surge on stark weather contrast

US retail sales jumped 3% month-on-month in January as warm weather encouraged people to go out and spend after harsh conditions depressed activity in December. Household incomes remain under pressure and with weather patterns normalising a correction is likely in February



US retail sales rose by 3% month-on-month, exceeding estimates

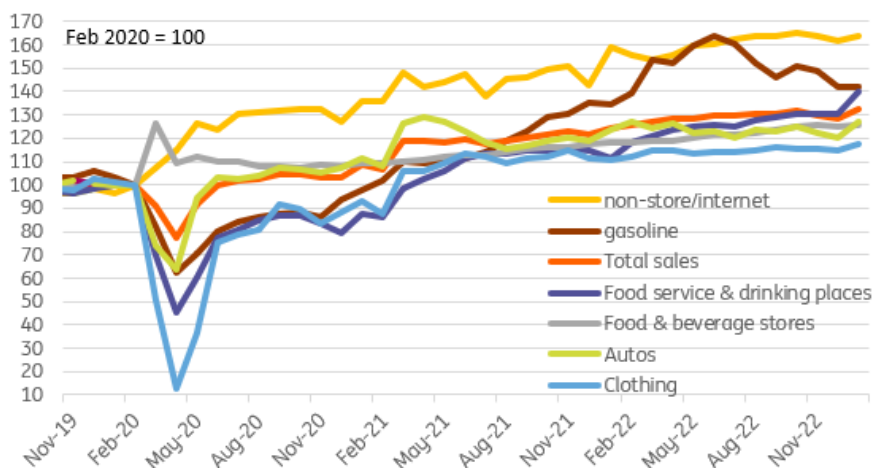
## A strong start to the year with broad-based gains

As suspected, we have a very strong US retail sales report for January with headline sales up 3% MoM versus the 2% consensus. This is the fourth biggest MoM rise in retail sales over the past 20 years. Importantly, the "control" group which excludes volatile categories and better correlates with broader consumer spending was also much stronger than anticipated, rising 1.7% MoM versus the 1% consensus.

We knew autos would be strong (+5.9% MoM) given unit volume figures jumped 18%, but there were huge gains elsewhere with clothing up 2.5% MoM, general merchandise up 3.2% (within which department stores saw a 17.5% MoM jump) and eating & drinking out, which surged 7.2%. The one real surprise was the flat gasoline station sales despite prices having risen by

more than 4%.

## **US retail sales levels**



Source: Macrobond, ING

## **Weather played a strong role and the risk of a February correction is high**

Much of this will be down to the stark contrast between the weather in December versus January. Remember that December experienced very cold temperatures with heavy snowfall disrupting travel in many parts of the nation. This also depressed spending with November and December both posting 1.1% MoM declines. Therefore we should expect a rebound in January anyway, but then very warm temperatures providing an additional stimulus that tempted more people to leave their homes and spend.

However, we have to be a little cautious that with weather patterns returning to more seasonal norms in February we could get a significant correction next month - especially with household finances remaining under pressure from high inflation and slowing wage growth. Consequently, today's numbers back the case for a March and probably a May hike, but it shouldn't push the case for Fed tightening beyond that.

### **Author**

**James Knightley**

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).