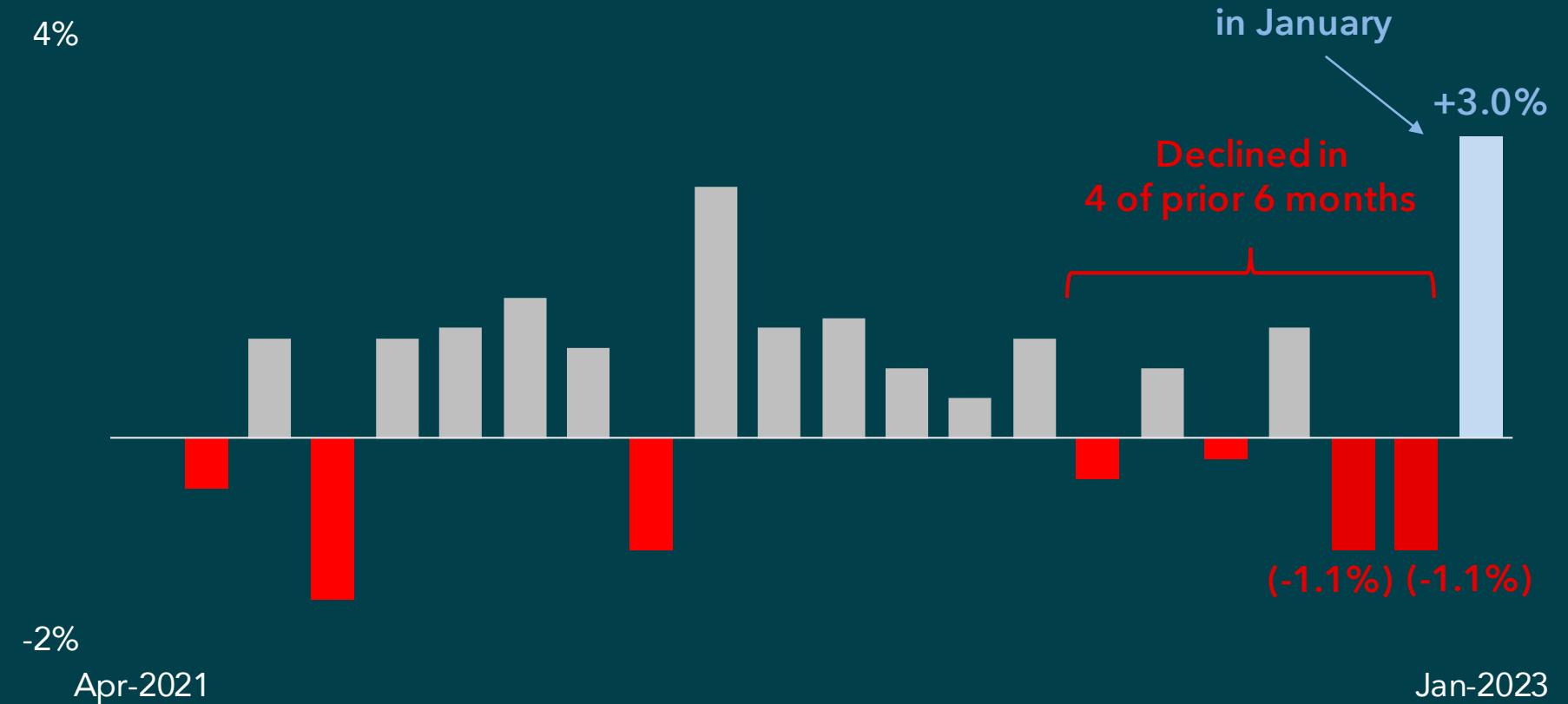


Chart of the Day

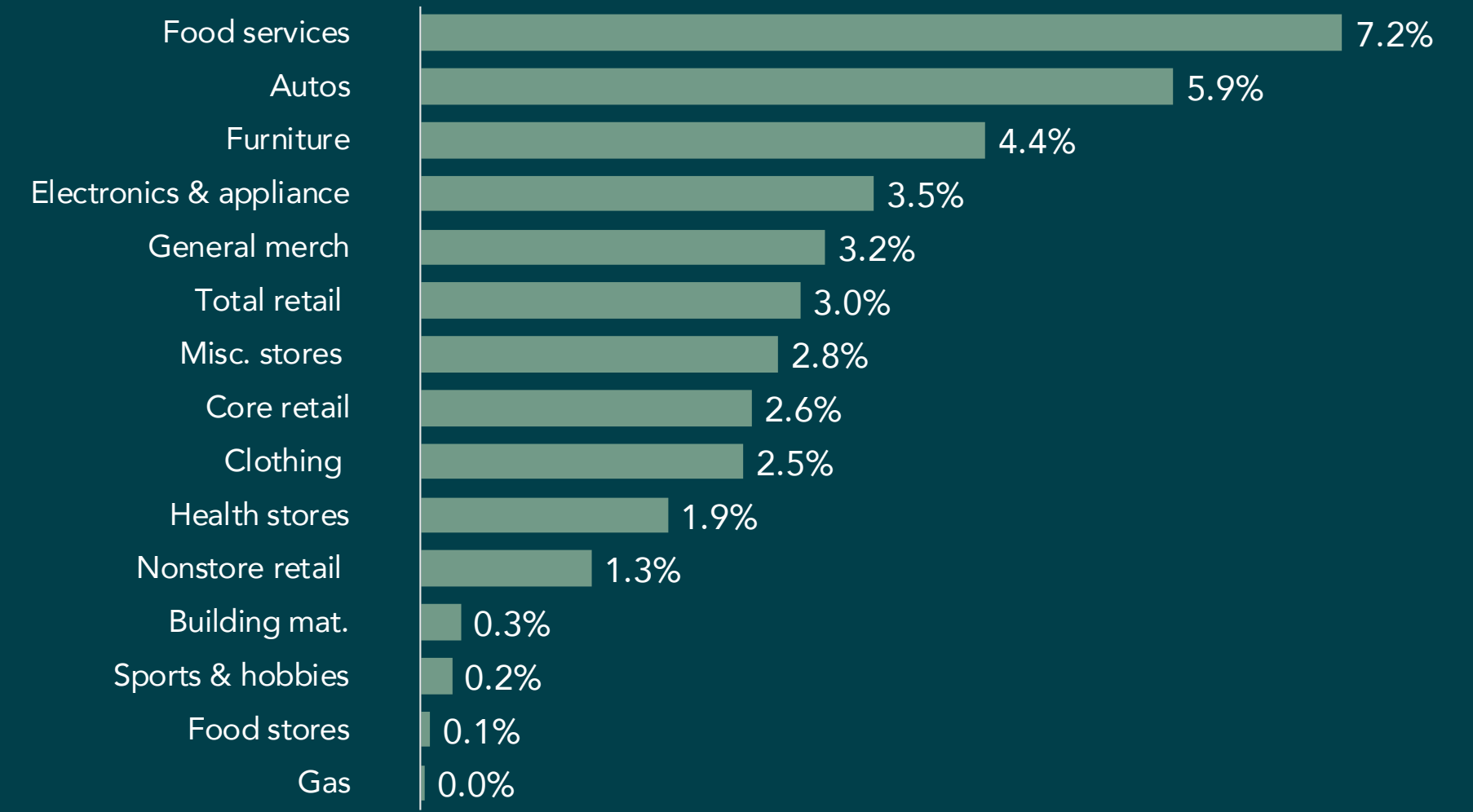
US retail sales are sending “mixed signals” on the US consumer. After declining in four of the prior six months in 2H 2022, retail sales surged 3% m/m in January, the largest increase since March 2021. Strong auto sales were an important driver in the monthly data, driven in large part by warm winter weather and catch-up demand as supply chain dislocations ease. We do not expect the broad-based strength of this report to continue in the months ahead.

US retail sales, m/m



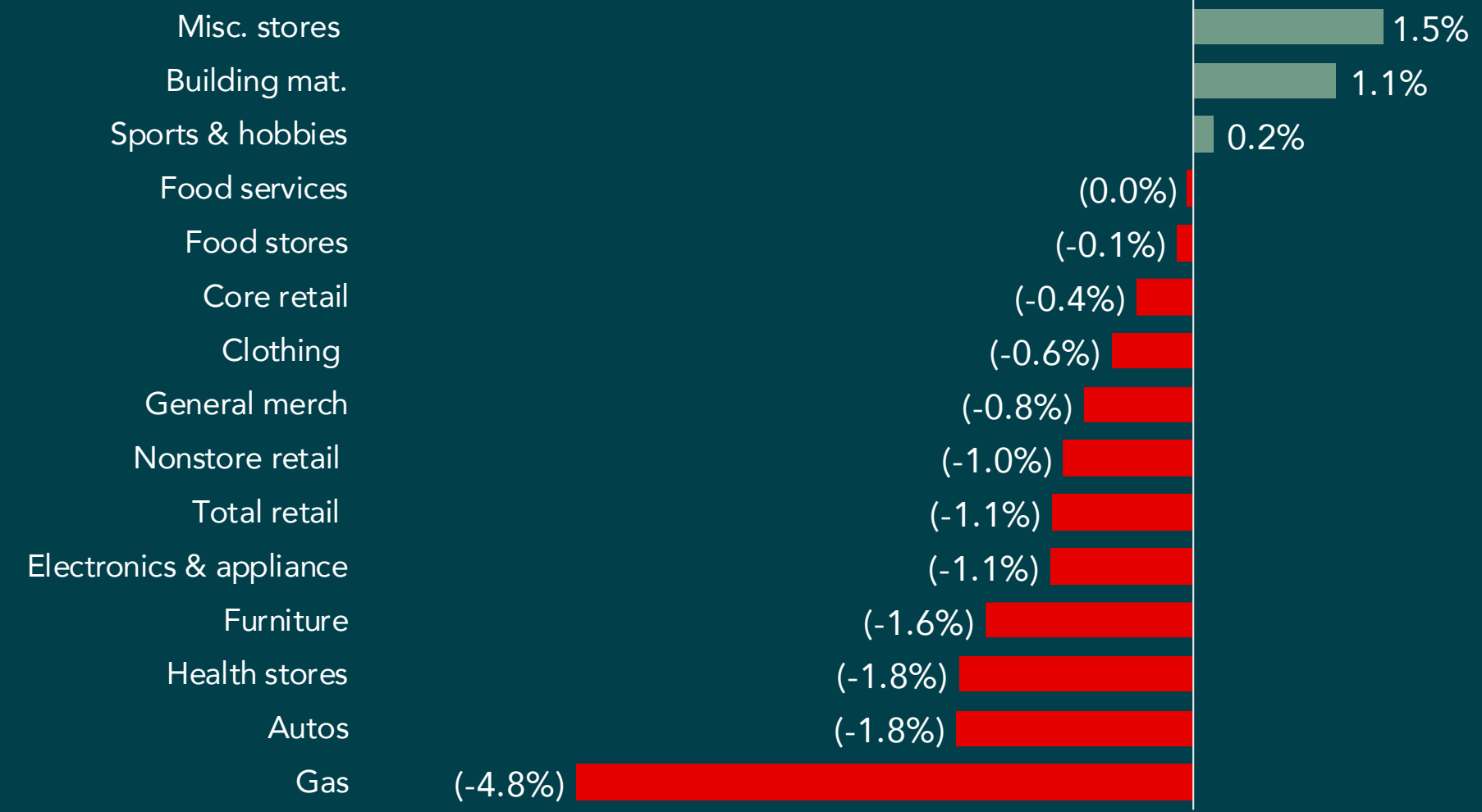
After contracting in four of the prior six months, retail sales surged 3% in January, the largest increase since March 2021. Strength was broad-based as spending rebounded in every major category. Vehicle sales, up 5.9%, were particularly strong and provided a boost to headline sales. Food service sales, up 7.2% in January, drove roughly half the monthly increase. While strong employment and wage data have been key drivers, warm winter weather was also an important variable in the January report.

January US retail sales by category, m/m change



In December, headline nominal sales were down (-1.1%) on the month, adding to November’s (-1.1%) decline. Nominal sales declined in four of the last six months of 2022. December’s decline was broad based with month-on-month contractions in nearly every spending category.

December US retail sales by category, m/m change



Source: (1) Bloomberg. Data as of February 15, 2023. FRED. Real retail sales are adjusted for inflation. US Census Bureau. January Retail Sales Report. SA. Data as of February 15, 2023.

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“Macro stability isn’t everything, but without it, you have nothing.”