

## Retail Sales Surged in January

A surprising bit of good news this week comes from monthly retail sales. The [Census Bureau reported](#) they surged 5.3% in January. This was somewhat unexpected as other economic data had been showing a slowdown in January as COVID cases rose. A big reason for the boost in sales is likely the latest round of pandemic relief payments, better known as the \$600 per person checks, that largely went out in early January.



**In December**, retail sales fell 1%. That was the third consecutive month of declines. The big jump in January is the first monthly increase since September. Even with the three consecutive monthly drops, retail sales never dropped below their pre-pandemic high. With the big rise in January, they are now almost 8% higher than they were in February of last year. Retail sales have been the best performer during the pandemic.

**By the numbers:** All categories of retail were in higher in January. Surprisingly, food and drinking places were up almost 7%, likely supported by strong takeout orders. Department stores lead the way by rising 23%. Electronics and appliances stores (+15%), furniture and home furnishings stores (+12%), and sporting goods, hobby, musical instrument, and bookstores (+8%) were the next biggest gainers. Gas station saw sales increase 4%, which is a hopeful sign people are finally getting out of the house and driving more.

A curious part of the report was the volatility of online sales. They rose 11% in January. But they had dropped more than 7% in December. They are still up almost 30% compared to last year, so there clearly has been a big shift to online buying. But the month-to-month fluctuations show it might not be permanent.

**Bottom line:** Despite the weakness in retail sales at the end of 2020, the economy grew 4% over the fourth quarter. The turnaround in sales in January gives hope that growth may in fact be accelerating early in 2021. Before the retail sales data came out, GDP growth was tracking roughly where it was in the fourth quarter. Forecasters will likely raise their estimates based on January's strong results.

—Curtis Dubay, Senior Economist, U.S. Chamber of Commerce