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## TD Economics

### Data Release: Retail sales kick off 2016 on a strong note.

- Retail sales rose by 0.2% m/m in January, beating market expectations for a 0.1% gain. The rise follows last month's upwardly revised gain of 0.2% .
- Excluding autos and gasoline, sales were up an even stronger 0.4% m/m. The control group, which also removes building materials and is used in the calculation of GDP, recorded an impressive 0.6% gain on the month.
- Aside for the decline in gasoline stations (-3.1%), which were driven by a 4.4% fall in gas prices during the month, sales of sporting goods (-2.1%), eating & drinking places (-0.5%), and furniture (-0.5%) all declined on the month in nominal terms.

### Key Implications

- This was certainly an encouraging report given the upward revision of last month's decline and a headline print that came in above economists' expectations. American consumers have returned to the malls, and appear to be finally dipping into some of their accumulated savings from a year's worth of low gasoline prices and rising wages. Indeed, spending on clothing, electronics, non-store retailers, and miscellaneous products – typically considered discretionary spending – jumped out of contractionary territory indicating improved consumer sentiment.
- Despite the harsh storm that hit the U.S. towards the end of the month (January 23rd), unusually warm weather for the rest of the month dented demand for winter equipment, such as skis and snowboards, reflected in the large decline in sporting goods (-2.1%) that typically see a surge in demand during the month.
- Nonetheless, the control group registered the largest gain seen since May of last year, setting up a solid first-quarter performance of personal consumption expenditures, which should help lift GDP growth above the 2% mark. This strong performance should be sustained into the remainder of the year, with an increasingly healthy labor market, which continues to record strong job and income gains, supportive of consumer spending.

**Neil Shankar, U.S. Regional Economist**  
**416-307-5968**

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