



# Economics Group

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## Heading Into the Crisis, Retail Sales Slipped in February

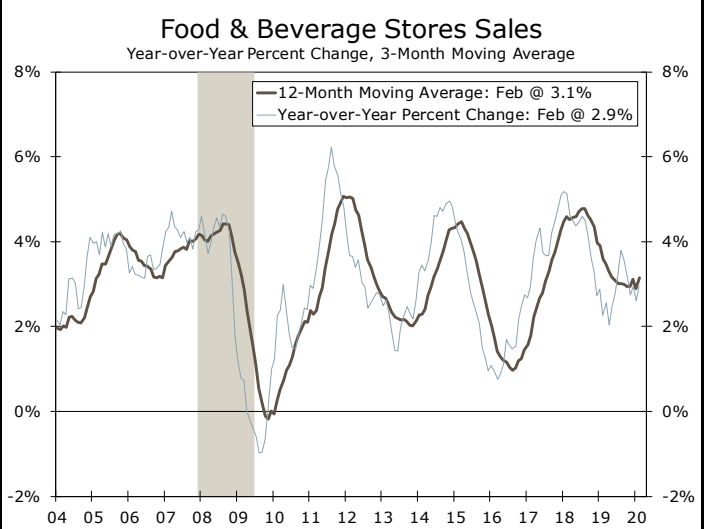
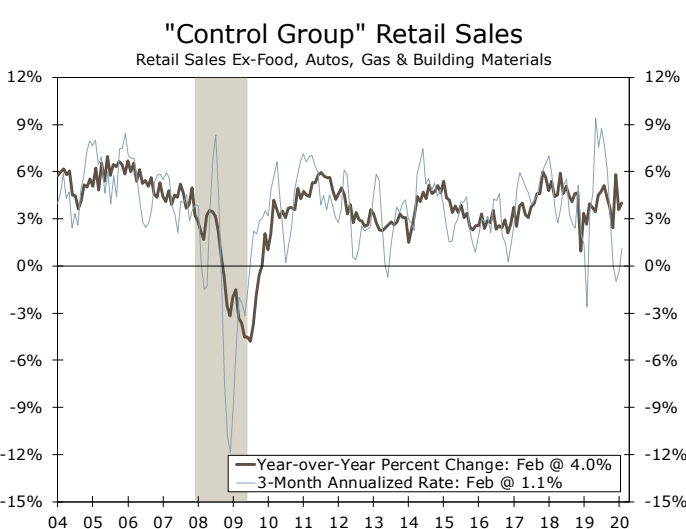
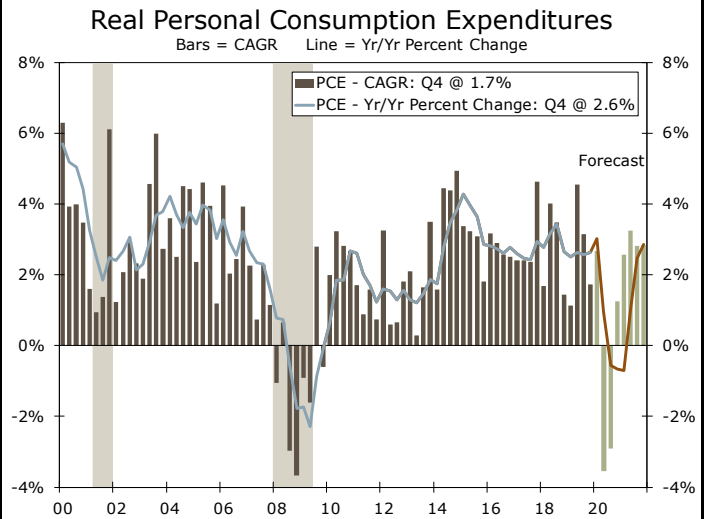
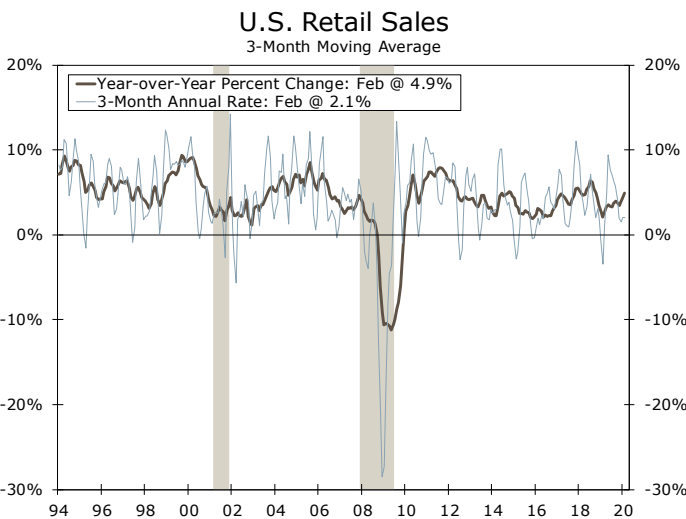
*The world has changed entirely since February, but heading into the crisis consumer confidence was holding up and spending was, if not robust, at least on track for modest growth in the first quarter.*

### Headline Miss, but Control Group Only Flat

- February headline retail sales fell 0.5%, well short of expectations for a modest gain. A number of categories fell in the month including autos (-0.9%), gas stations (-2.8%) and building materials (-1.3%).
- Control group retail sales, which line up well with personal consumption numbers in the GDP report, was flat in February after a significant upward revision to January.

### Q1 Spending On Track to Slow But Remain Positive

- The better footing for January core spending means that despite this soft February print, spending in the first quarter is not yet derailed. Note that online retailers saw another robust gain in February amid news that warehouse hiring is picking up even amidst the crisis. After that, we expect spending to fall.
- Panic buying of food and personal items for the home in March means a coming surge for these categories, if only temporarily.



Source: U.S. Department of Commerce and Wells Fargo Securities

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