

Despite lingering inflation, consumers continued to spend in February

Article

The news: US retail sales grew 5.4% year-over-year (YoY) in February, per the US Commerce Department's monthly report. Excluding auto and gas, sales rose 7.9%.

- While that's a slowdown from 7.7% YoY growth in January (or 9.0% YoY after excluding auto and gas), it shows that consumers continued to spend even with [inflation](#) at 6.0% in February.
- Notably, **retail sales in the first two months of 2023 increased 6.8% YoY**, or 8.8% YoY after excluding auto and gas.

Differing perspectives: When you look at YoY retail sales numbers (particularly over a two-month span), it is fairly easy to adopt a relatively optimistic outlook.

- But looking at the month-over-month (MoM) trend line offers a different view, as **retail sales fell 0.4% MoM in February**.
- The picture looks slightly better (flat MoM growth) once you exclude auto and gas.

Another way to look at what's going on is to gauge executive sentiment.

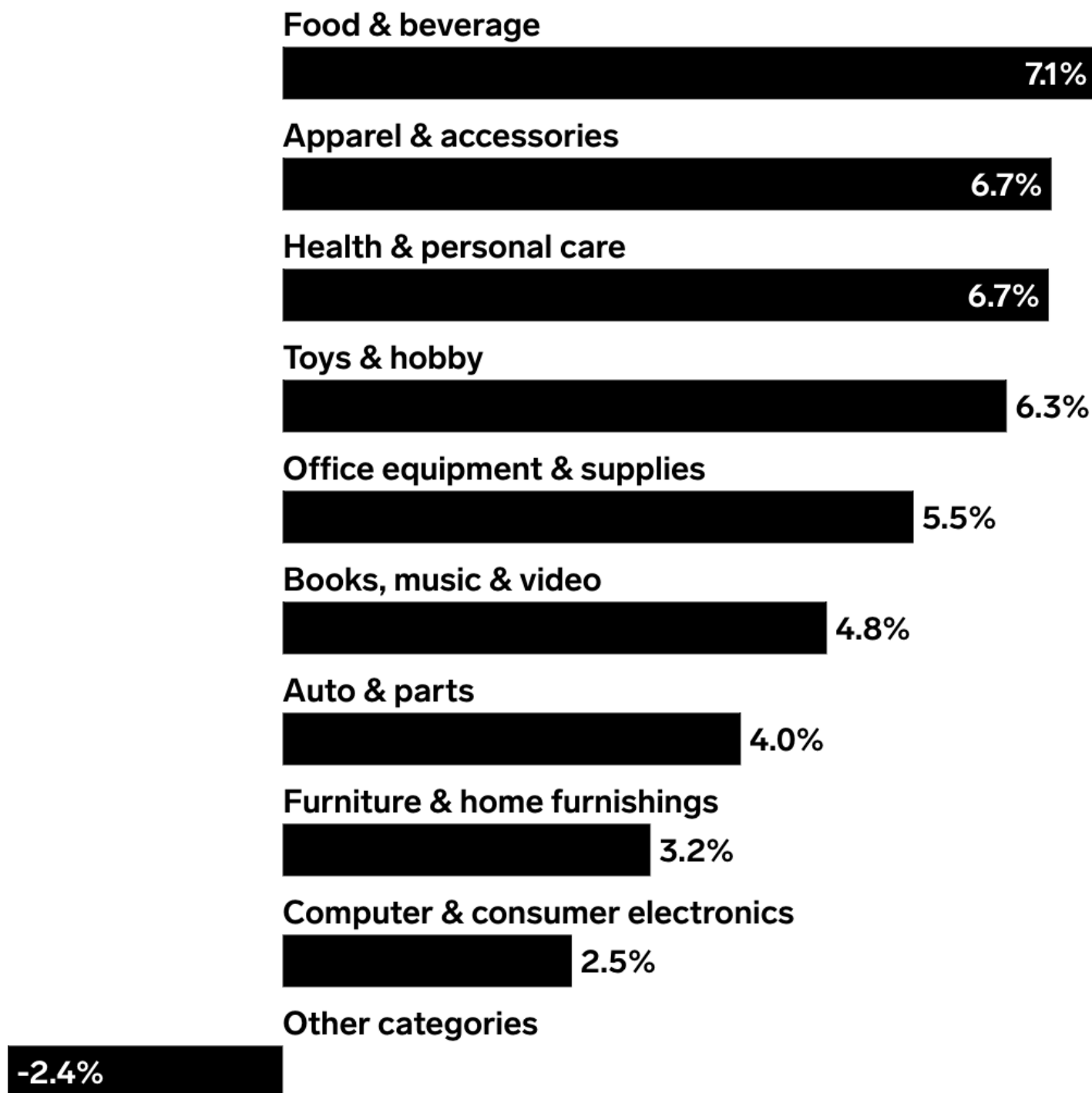
- **Business Roundtable's CEO Outlook Index**—a survey of more than 100 chief executives of America's biggest companies—**recorded its first increase since Q1 2021**, [per](#) Axios.
- That improving sentiment helps explain why **the US labor market remains strong**. Employers added 311,000 jobs in February, [per](#) the Labor Department. With roughly 1.9 jobs for every person looking for work, it is increasingly difficult for retailers and restaurants to [hire](#) enough staff.

Slowing growth: The reality—which many retailers recognize—is that while the bottom has not fallen out of the US economy, growth will likely slow this year.

- **The CEOs surveyed by Business Roundtable expect the US economy to grow 1.4% this year**, which is not great but also not a sign of an economy in recession.
- Our [US Total Retail Sales Forecast](#) follows a similar trend line with total retail sales expected to grow **3.3%**, down from 8.1% growth last year. YoY growth in several categories, including food and beverage (7.1%), apparel and accessories (6.7%), and health and personal care (6.7%), are expected to remain strong, due in part to inflation.
- Several retailers have offered modest outlooks for fiscal 2023. For example, **Walmart** expects US comparable sales to grow between 2% and 2.5% for the full year, excluding fuel sales.

Retail Sales Growth, by Product Category

US, 2023, % change



Note: excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales

Source: eMarketer, February 2023

The big takeaway: While most media reports focus on MoM retail sales numbers, we find that perspective is often noisy. Zooming out to look YoY, or YoY across multiple months, you can see that consumers continue to spend. But with inflation continuing to eat into consumers' spending power, many are pulling back on discretionary spending.

*This article originally appeared in Insider Intelligence's **Retail & Ecommerce Briefing**—a daily recap of top stories reshaping the retail industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

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