



Popular Economics Weekly

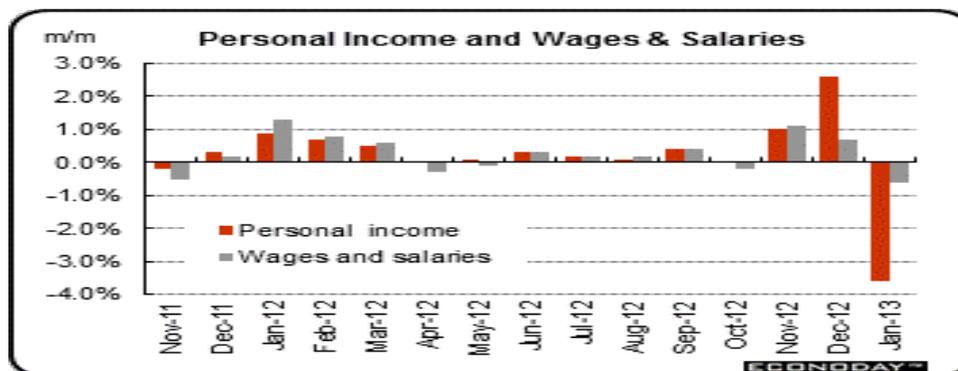
Higher Retail Sales Point to Consumer Health

Consumers are buying, a reflection of improving incomes and the jobs market. The U.S. Census Bureau announced today that advance estimates of [U.S. retail and food services sales](#) for February, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$421.4 billion, an increase of 1.1 percent from the previous month and 4.6 percent above February 2012



Graph: Calculated Risk

This is the best we can expect with less than full employment, when retail sales have almost doubled to 8 percent per annum. Strength was mainly motor vehicle sales, which rebounded a huge 1.1 percent following a 0.3 percent dip in January. Ex-auto sales in February increased 1.0 percent, following boost of 0.4 percent the month before (originally up 0.2 percent). Gasoline sales were also up significantly, but core strength was widely scattered with increases seen in building materials & garden equipment, food & beverage stores, clothing & apparel, general merchandise, miscellaneous store retailers, and nonstore retailers.



Graph: Econoday

Though January personal income dropped a monthly 3.6 percent, following a 2.6 percent surge in December, December was boosted by attempts to avoid January income and payroll tax increases. The wages & salaries component declined 0.6 percent in



January after a 0.7 percent jump the month before. But most of the weakness was led by a monthly 34.8 percent plunge in dividend income after a 32.8 percent spike in December to avoid the January tax hikes from the fiscal cliff agreement. We believe overall personal incomes will grow strongly this year, thanks in part to a tighter labor market.



Graph: Calculated Risk

This is why the latest weekly initial jobless claims are showing a growing jobs market that bolsters last week's drop in unemployment. Initial jobless claims fell 10,000 in the March 9 week to 332,000. **The week's total is the second lowest of the recovery.**

The four-week average is now at its lowest level of the recovery, down 2,750 from the prior week to a 346,750 level that is a bit below the 350,000 trend of the month-ago comparison in what is an early positive indication for the March employment report, [says Econoday](#).

You can't ask for much more at this stage of the recovery, as we said. Both the Federal Reserve's Chairman Bernanke and Vice-Chair (and probable future Chairwoman Janet Yellen, should Bernanke not continue) are in a strong position to maintain easy credit conditions through 2013 at least.

If they are able to maintain such conditions, in spite of inflation hawks, then the unemployment rate might reach their stated goal of 6.5 percent in 2014. And we might begin to see the possibility of full employment again, which historically has been 5 percent and below.

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