

## BofA on USA

## Weather and other seasonal factors

**We expect a soft retail sales report for January**

Total card spending per household (HH), as measured by BAC aggregated credit and debit cards, was down 0.2% year-over-year (y/y) in January. Card spending per HH fell 0.3% month-over-month (m/m) in January on a seasonally adjusted (SA) basis. We forecast a 0.3% decrease in the Census Bureau's retail sales ex-autos estimate for January (Exhibit 1). However, spending at gas stations and restaurants was particularly weak last month (Exhibit 2). Therefore, we expect a 0.2% pickup in the core control group (retail sales ex autos, gas, building materials and restaurants). In our view, two factors explain the weak January data.

**Winter storms disrupted retail spending**

Widespread winter storms weighed on retail spending last month. Unsurprisingly, the impact was largest in the South, where winter weather disruptions are less common (Exhibit 8). Another way to assess the impact of weather on retail sales is to look at which categories had outsized moves in January. As discussed above, restaurants and gas were very weak, likely because consumers spent more time than usual at home. Probably for the same reason, there was a large pickup in grocery spending (Exhibit 2). Interestingly, however, online retail spending (card not present) was down in January.

**Seasonal adjustments: it's payback time**

As we had forecast, December retail sales came in above consensus expectations, buoyed by a favorable seasonal adjustment. However, seasonal adjustments are a zero-sum game: they balance out over the course of a full year. The Census Bureau's projected seasonal adjustments for January 2024 are significantly less favorable than they were in January 2023 (Exhibit 9). This will weigh on SA retail sales in January 2024, assuming the final seasonal adjustments are close to the Census Bureau's projections.

**Sifting out the noise, consumer spending looks solid**

We suggested that readers look through the strength in December retail sales, and by the same token we recommend looking through the expected weakness in January. In fact, we think a report in line with our forecasts would point to a healthy US consumer. If our projections are correct, the ex-autos and core control components would be up about 0.1% and 1.0%, respectively, over the last two months. And as the weather normalizes, there is scope for meaningful sequential gains in the ex-autos components that were impacted by the January disruptions. In our view, with real (i.e., inflation-adjusted) income growth picking up due to a strong labor market and continued disinflation, the risks to consumer spending are increasingly to the upside.

08 February 2024

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Timestamp: 08 February 2024 07:15AM EST

# The month of January

## Exhibit 1: BofA forecast and Bloomberg consensus for January Census Bureau retail sales

We expect a soft retail sales report for January

% m/m	BofA forecast	Bloomberg consensus
Retail sales	-0.6%	0.1%
ex-autos	-0.3%	0.3%
ex-autos and gas	-0.2%	0.3%
Core control	0.2%	0.3%

**Source:** BAC internal data. The core control group is retail sales ex autos, gas, building supplies and restaurants.

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## Exhibit 2: Aggregated monthly card spending per HH by major category (%m/m, SA)

Card spending was weak in several categories in January

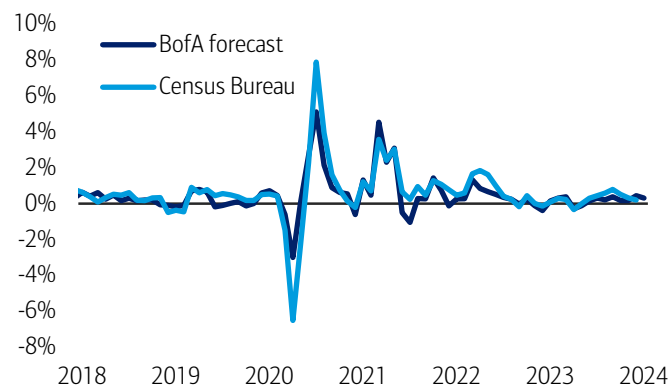
	Jan-24	Dec-23	Nov-23	Oct-23	Sep-23	Aug-23
Gas	-3.1%	0.8%	-3.9%	-3.2%	2.7%	5.8%
Furniture	-2.0%	-5.5%	3.8%	-1.4%	-1.2%	-2.4%
Home improvement	-2.6%	-1.1%	-0.3%	0.4%	-1.4%	-1.3%
Clothing	0.9%	-1.9%	2.8%	-1.9%	-1.3%	-1.7%
Grocery	1.1%	0.0%	-0.3%	0.9%	-0.2%	0.1%
Department Store	-1.8%	-1.0%	1.4%	-1.4%	0.0%	-2.9%
Restaurants	-2.4%	0.3%	0.4%	0.3%	0.1%	-0.6%
Lodging	-1.8%	0.9%	-0.2%	0.2%	0.0%	-1.6%
Airlines	0.6%	0.7%	3.2%	-2.9%	-0.5%	-0.9%
Total online retail (card not present)	-0.5%	0.0%	-0.1%	-0.4%	0.9%	-0.6%

**Source:** BAC internal data. Card not present is largely online but could include purchases made over the phone. We omit General Merchandise stores this month because the data were impacted by a change in MCC codes for some items.

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## Exhibit 3: Retail sales ex-autos: Census Bureau vs. BofA forecasts (%m/m, SA, 3-month moving average (ma))

We are expecting retail sales ex-autos to decrease by 0.3% in January, which would lower the three-month average growth rate

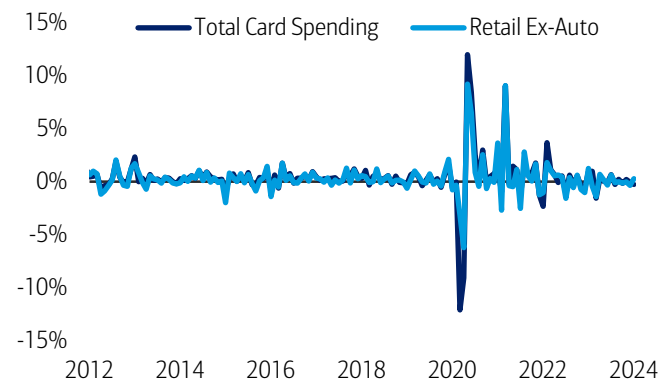


**Source:** BAC internal data, Census Bureau

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## Exhibit 4: BAC aggregated monthly card spending per HH (%m/m, SA)

Total card spending per HH was down 0.3% m/m in January on a SA basis

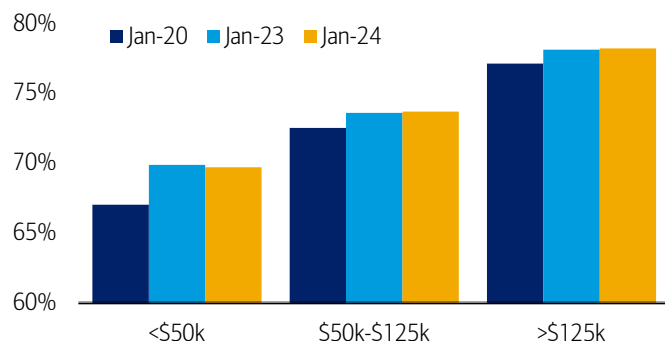


**Source:** BAC internal data

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## Exhibit 5: Share of discretionary spending in total spending per HH by income (%)

Discretionary spending remained resilient across income cohorts in January, accounting for nearly 70% of spending by lower-income HHs

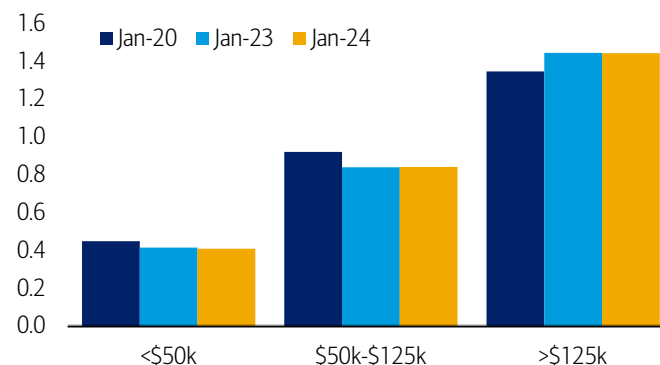


**Source:** BAC internal data. Discretionary spending is total spending ex gas, groceries and utilities. We exclude 2021 and 2022 to simplify the chart.

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## Exhibit 6: Ratio of credit card spending per HH to debit card spending per HH by income group

For lower- and middle-income HHs, we do not see signs of increased reliance on credit cards relative to before the pandemic

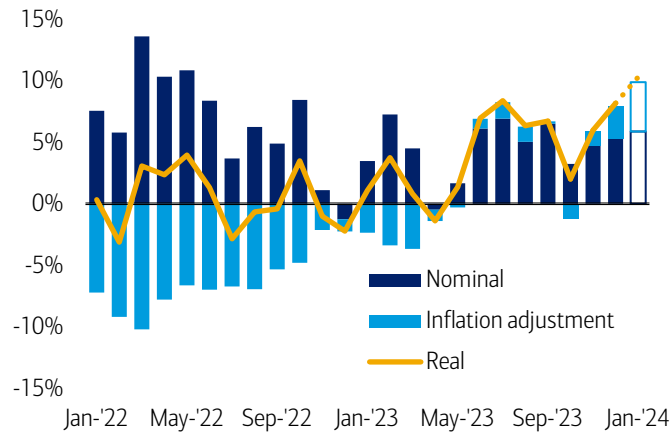


**Source:** BAC internal data. We exclude 2021 and 2022 to simplify the chart.

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**Exhibit 7: Core control retail sales (3 month annualized % change)**

Real core control retail sales increased 8.2% annualized from Sep to Dec 2023. The three-month growth rate could pick up further in Jan

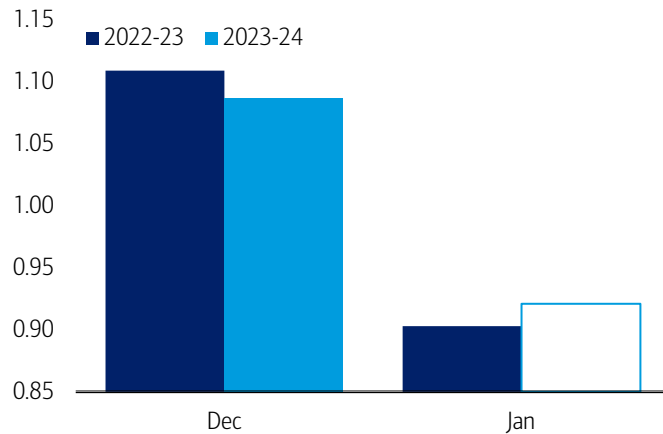


**Source:** BAC internal data, Bureau of Economic Analysis, Census Bureau, Haver Analytics. The inflation adjustment uses a price index reported by Haver Analytics. It converts nominal spending into real spending, so it is negative when inflation is positive and vice versa. BofA projections for January are represented by the dotted line and white boxes above. We assume nominal core control sales are in line with our forecasts, and inflation is the same as it was in December.

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**Exhibit 9: Census Bureau seasonal factors (SFs) for headline retail sales**

The SF for Dec 2023 was more favorable than for Dec 2022, but the SF for Jan 2024 is likely to be less favorable than for Jan 2023

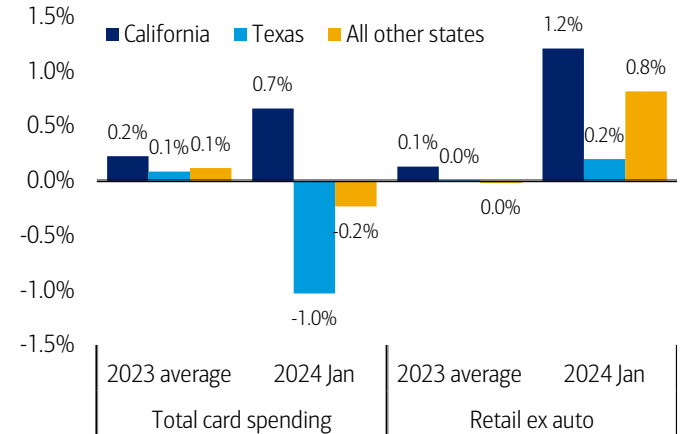


**Source:** Census Bureau. Note: The SF is the ratio of not seasonally adjusted retail sales to SA retail sales. The seasonal factor for Jan 2024 is a projection by the Census Bureau

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**Exhibit 8: Total card and retail ex-auto spending per HH (% m/m SA)**

Jan spending was particularly weak in Texas, which was significantly impacted by adverse winter weather, and particularly robust in California, which was relatively unimpacted by winter storms

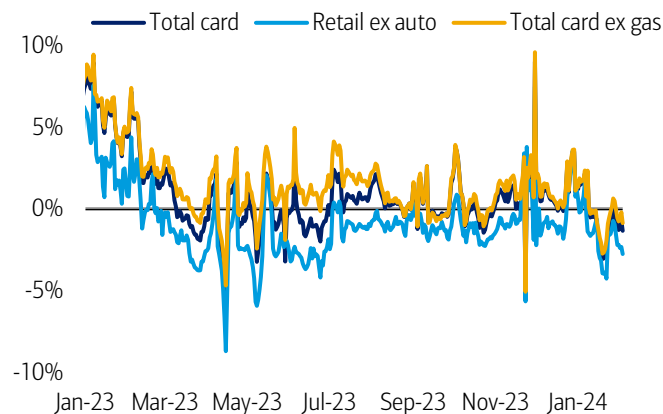
**Source:** BAC internal data

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# The big picture

**Exhibit 10: Total card, retail ex auto and total card ex gas spending, per HH, based on BAC aggregated card data (y/y %change of the 7-day ma of spending levels)**

Total card spending ex gas came in at -0.9% y/y in the week ending Feb 3

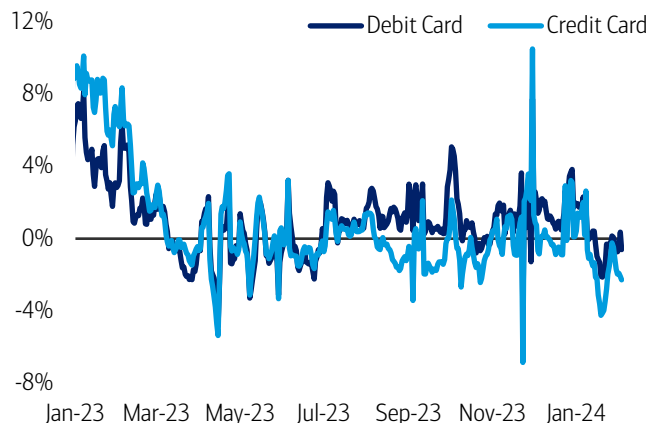


Source: BAC internal data

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**Exhibit 11: Total credit card and total debit card spending, per HH, based on BAC aggregated card data (y/y %change of the 7-day ma of spending levels)**

Y/y debit card spending growth (-0.6%) significantly outpaced credit card spending growth (-2.3%) in the week ending Feb 3

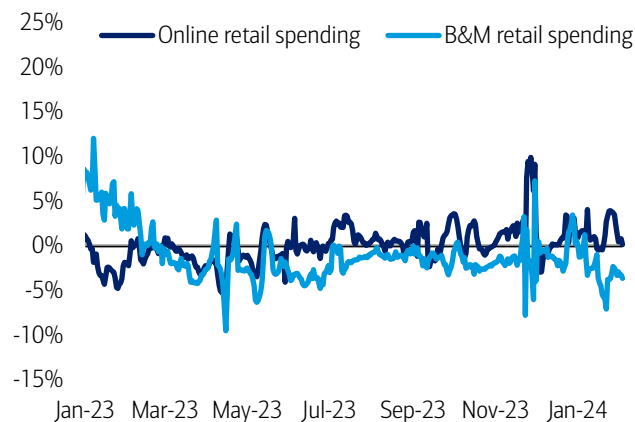


Source: BAC internal data

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**Exhibit 12: Online (card not present) and B&M retail spending, per HH, based on BAC aggregated card data (y/y %change of 7-day ma of spending levels)**

Online retail spending was up 0.2% while B&M retail spending was down 3.6% on a y/y basis in the week ending Feb 3



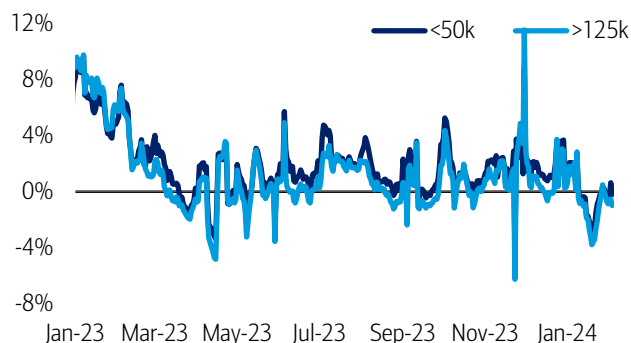
Source: BAC internal data. Note: B&M retail means retail purchases at the store. Card not present is largely online but could include purchases made over the phone.

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# Income-based trends

**Exhibit 13: Total spending ex groceries and gas, per HH by income group, based on aggregated BAC card data (y/y % change of the 7-day moving average of spending levels)**

Y/y total card spending ex groceries and gas was stronger (-0.2%) among lower income HHs than higher income HHs (-1.0%) in the week ending Feb 3

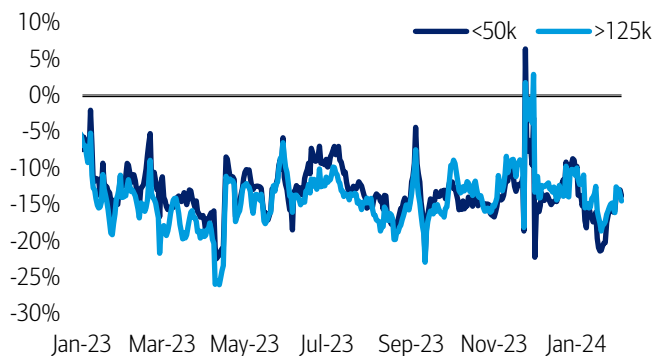


Source: BAC internal data

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**Exhibit 15: Furniture spending per HH by income group (y/y % change of the 7-day ma of spending levels)**

Furniture spending growth remained largely negative on a y/y basis for both income groups since 2023

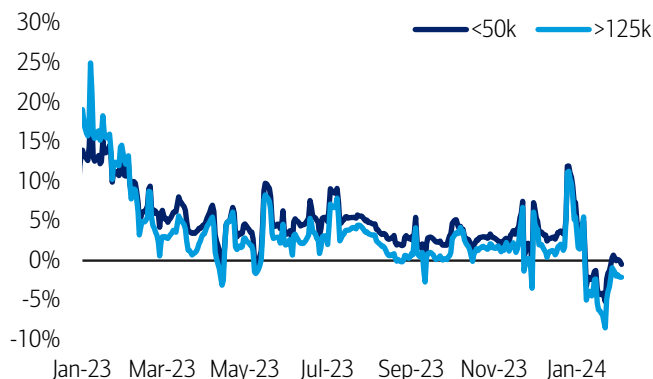


Source: BAC internal data.

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**Exhibit 17: Restaurant spending per HH by income group (y/y % change of the 7-day ma of spending levels)**

Y/y restaurant spending growth was slightly stronger among lower-income HHs than higher-income HHs in the week ending Feb 3

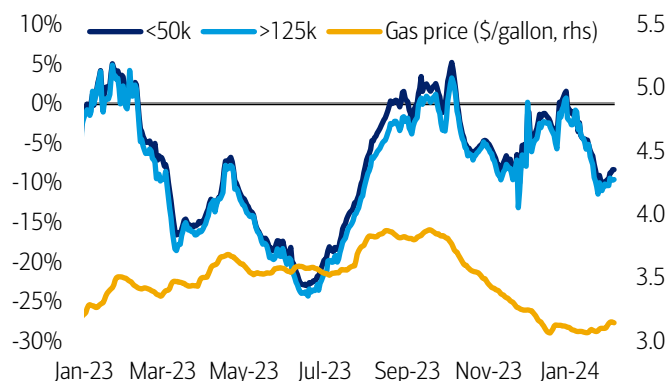


Source: BAC internal data

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**Exhibit 14: Gas spending per HH by income group vs. retail gas price per gallon (y/y % change of the 7-day ma of spending levels)**

Y/y gas spending remained negative for both income cohorts in the week ending Feb 3

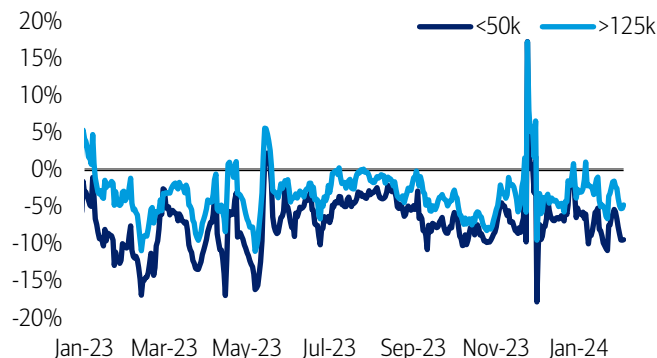


Source: BAC internal data, American Automobile Association

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**Exhibit 16 Clothing spending per HH by income group (y/y % change of the 7-day ma of spending levels)**

Y/y clothing spending growth has also been mostly negative for both income cohorts since 2023

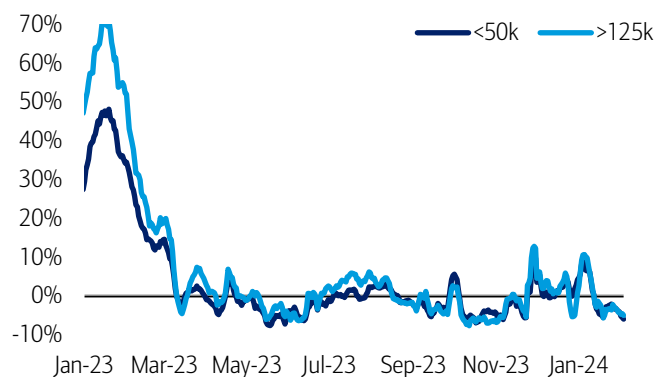


Source: BAC internal data

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**Exhibit 18: Airline spending per HH by income group (y/y % change of the 7-day ma of spending levels)**

Y/y airline spending growth was down to about -5.0% for higher- and lower-income HHs in the week ending Feb 3

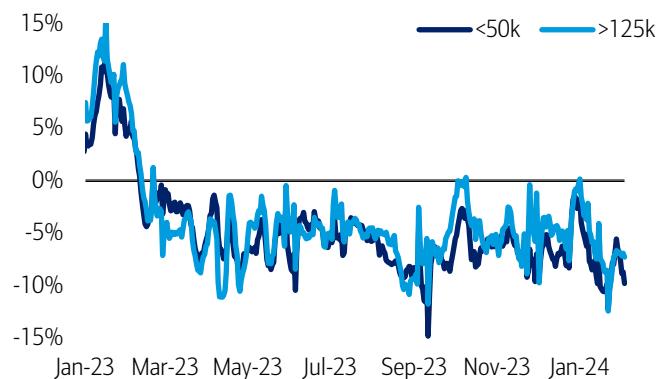


Source: BAC internal data

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**Exhibit 19: Lodging spending per HH by income group (y/y % change of the 7-day ma of spending levels)**

Y/y lodging spending growth has largely been negative for both income cohorts since early 2023

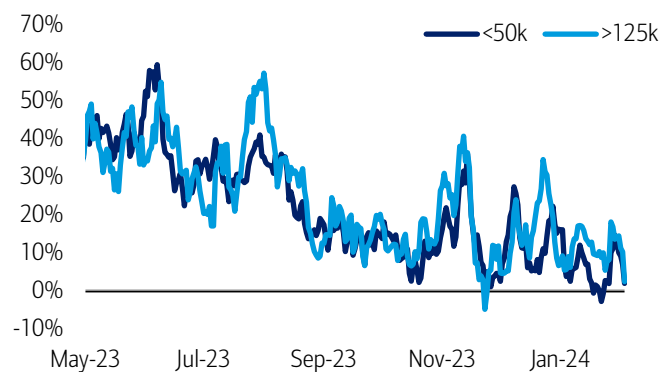


Source: BAC internal data

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**Exhibit 21: Cruise spending per HH by income group (y/y % change of the 7-day ma of spending levels)**

Cruise spending growth for higher-income HHs marginally outpaced that for lower-income HHs in the week ending Feb 3

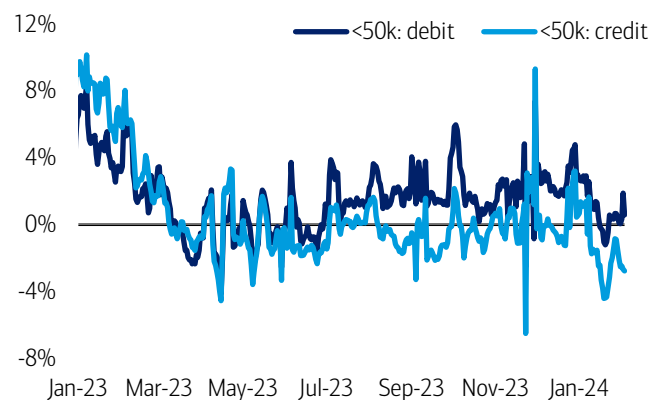


Source: BAC internal data

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**Exhibit 23: Total credit card and total debit card spending per HH for lower-income group (y/y % change of the 7-day ma of spending levels)**

Lower-income debit card spending growth significantly outpaced credit card spending growth on a y/y basis in the week ending Feb 3

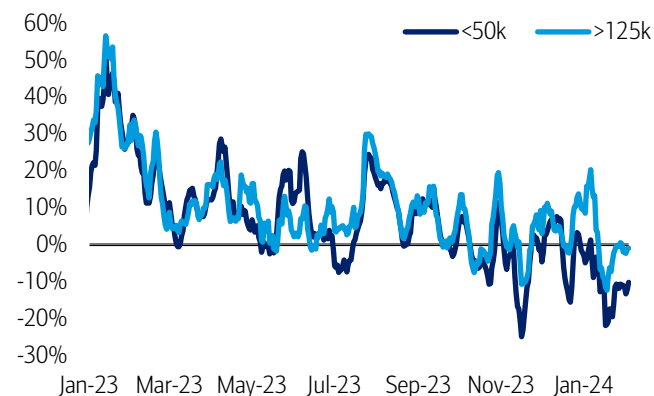


Source: BAC internal data

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**Exhibit 20: Entertainment spending per HH by income group (y/y % change of the 7-day ma of spending levels)**

Y/y entertainment spending for higher-income HHs (-0.9%) outpaced lower-income HHs (-10.2%) in the week ending Feb 3

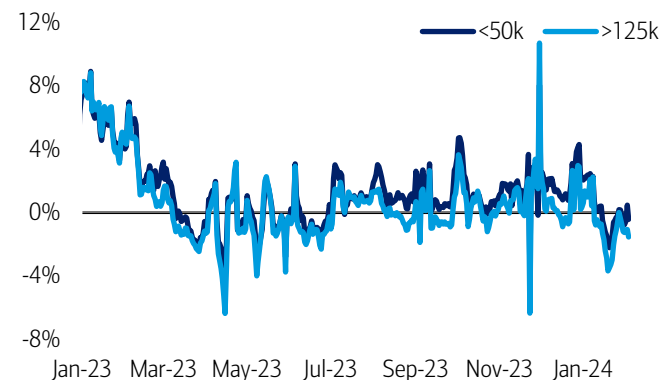


Source: BAC internal data

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**Exhibit 22: Total card spending per HH by income group (y/y % change of the 7-day ma of spending levels)**

Total card spending growth for lower-income HHs (-0.4% y/y) outpaced higher-income HHs (-1.5% y/y) in the week ending Feb 3

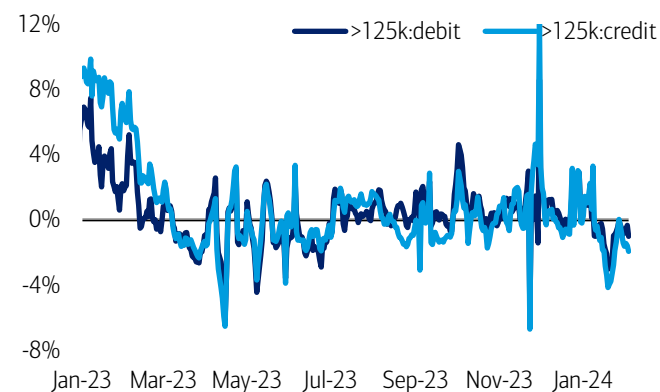


Source: BAC internal data

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**Exhibit 24: Total credit card and total debit card spending per HH for higher-income group (y/y % change of the 7-day ma of spending levels)**

Y/y higher-income debit card spending growth also slightly outpaced credit card spending growth in the week ending Feb 3



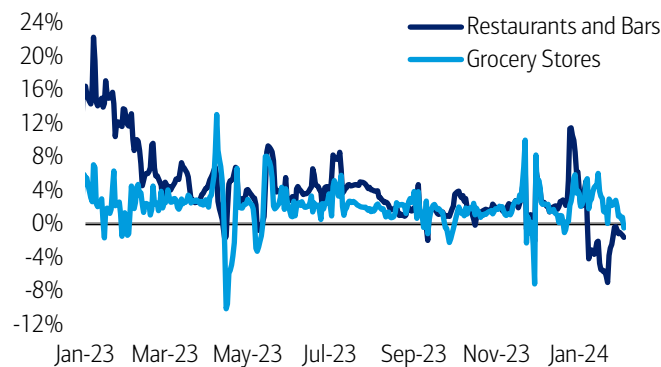
Source: BAC internal data

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## Sector trends

### Exhibit 25: Spending per HH at restaurants and bars and grocery stores, based on BAC aggregated card data (y/y % change of the 7-day ma of spending levels)

Spending at grocery stores was down 0.5% y/y in the week ending Feb 3

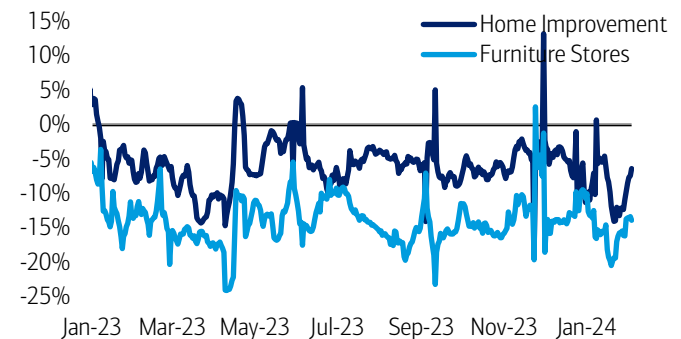


Source: BAC internal data

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### Exhibit 26: Spending per HH at home improvement and furniture stores, based on BAC aggregated card data (y/y % change of the 7-day ma of spending levels)

Furniture and home improvement spending growth remained negative on a y/y basis in the week ending Feb 3

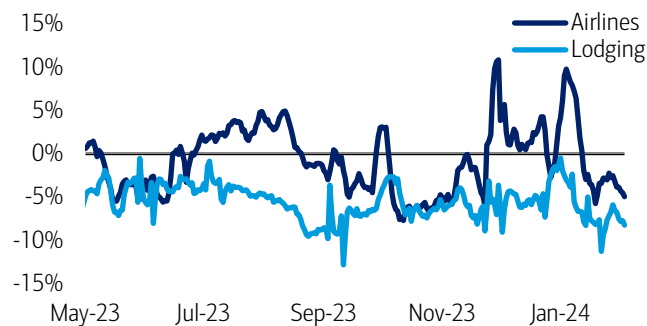


Source: BAC internal data

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### Exhibit 27: Spending per HH on airlines and lodgings, based on BAC aggregated card data, (y/y % change of the 7-day ma of spending levels)

On a y/y basis, lodging spending growth remained negative, while airline spending growth turned negative in the second half of January

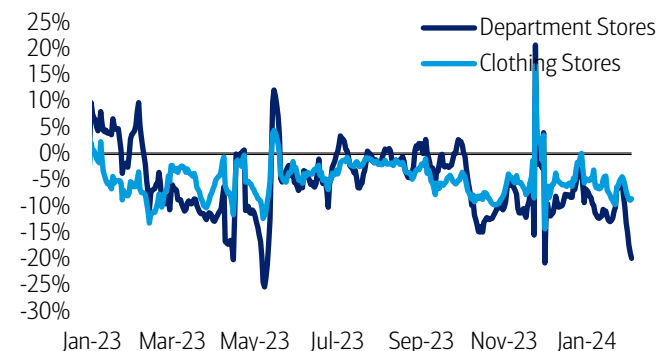


Source: BAC internal data

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### Exhibit 28: Spending per HH at department and clothing stores, based on BAC aggregated card data (y/y % change of the 7-day ma of spending levels)

Y/y clothing spending growth has generally been negative since 2023

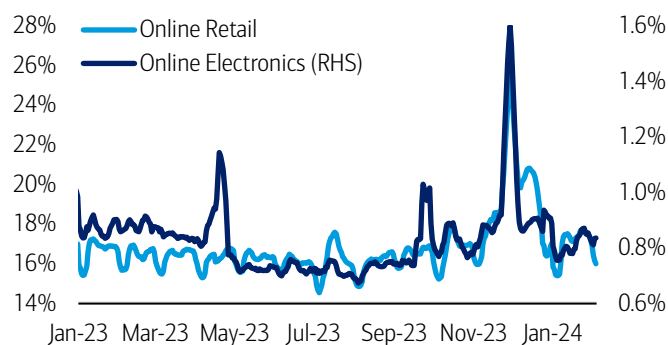


Source: BAC internal data

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### Exhibit 29: Online retail and online electronic (card not present) spending per HH as a share of total card spending (% , 7-day moving average)

The share of online retail spending was 16.0% in the week ending Feb 3

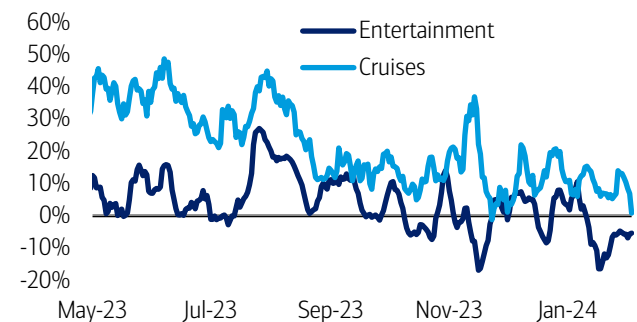


Source: BAC internal data

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### Exhibit 30: Spending per HH on entertainment and cruises, based on BAC aggregated card data (y/y % change of the 7-day ma of spending levels)

Spending growth on cruises has been stable after the reopening spike while y/y entertainment spending turned negative in the last couple of weeks

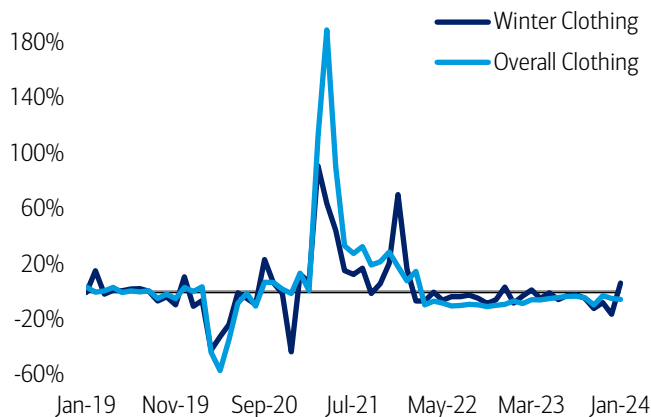


Source: BAC internal data

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**Exhibit 31: Spending per HH on overall and winter clothing, based on BAC aggregated card data (y/y % change of monthly spending levels)**

Y/y winter clothing spending growth outperformed overall clothing spending growth in January



**Source:** BAC internal data. Note: The winter clothing series includes retailers that sell cold weather clothing and have disproportionate sales in winter months.

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**Exhibit 32: Aggregated daily card spending growth per HH by major category, Jan 21 – Feb 3 (y/y % change of the 7-day ma of spending levels)**

Total card spending per HH was down 1.3% y/y in the week ending Feb 3

	2/3	2/2	2/1	1/31	1/30	1/29	1/28	1/27	1/26	1/25	1/24	1/23	1/22	1/21
<b>Total card spending</b>	-1.3%	-0.7%	-1.2%	-1.3%	-1.1%	-0.6%	-0.2%	0.0%	-0.5%	-0.8%	-1.1%	-1.4%	-2.4%	-2.8%
<b>Retail ex auto</b>	-2.8%	-2.3%	-2.4%	-2.2%	-2.2%	-1.6%	-0.9%	-0.7%	-1.2%	-1.5%	-1.6%	-1.7%	-4.3%	-3.9%
Airlines	-4.9%	-4.5%	-4.3%	-3.8%	-3.8%	-3.2%	-2.5%	-2.8%	-2.2%	-3.0%	-2.8%	-2.8%	-3.4%	-3.4%
Lodging	-8.2%	-7.7%	-7.8%	-7.5%	-6.7%	-6.5%	-5.9%	-6.7%	-7.2%	-7.6%	-8.7%	-9.4%	-11.3%	-7.6%
Entertainment	-5.3%	-5.6%	-6.8%	-5.7%	-5.6%	-5.1%	-4.7%	-5.5%	-5.9%	-5.7%	-6.6%	-9.5%	-12.1%	-13.0%
Restaurants & bars	-1.6%	-1.4%	-1.2%	-1.0%	-1.2%	-0.8%	-0.3%	-0.4%	-1.5%	-2.4%	-2.9%	-3.8%	-7.0%	-6.3%
Transit	4.1%	3.8%	1.9%	0.7%	-1.1%	-2.9%	-2.0%	-3.1%	-4.9%	-5.2%	-5.6%	-6.8%	-5.7%	-7.0%
Gas	-9.0%	-9.1%	-9.2%	-9.2%	-10.0%	-10.0%	-10.1%	-10.0%	-10.3%	-10.5%	-10.0%	-9.4%	-10.1%	-9.5%
Clothing	-8.6%	-8.8%	-8.7%	-8.1%	-7.2%	-6.0%	-4.9%	-4.4%	-4.8%	-5.3%	-6.2%	-6.4%	-9.7%	-9.4%
Furniture	-13.8%	-13.3%	-13.6%	-13.5%	-13.7%	-16.1%	-16.0%	-15.4%	-15.6%	-15.7%	-16.2%	-16.9%	-19.3%	-19.3%
Department store	-19.9%	-18.9%	-17.4%	-15.0%	-13.1%	-10.2%	-7.9%	-5.3%	-5.6%	-5.7%	-6.6%	-6.7%	-10.2%	-11.0%
Home improvement	-6.3%	-7.4%	-7.6%	-8.4%	-9.7%	-10.8%	-12.3%	-12.1%	-12.1%	-13.2%	-13.0%	-12.0%	-13.9%	-14.0%
Online electronics	-4.3%	-3.2%	-7.6%	-9.8%	-9.5%	-7.6%	-5.7%	-4.7%	-3.6%	-0.5%	1.2%	1.9%	-0.4%	-1.4%
Grocery	-0.5%	0.8%	0.6%	1.0%	0.9%	2.1%	2.8%	2.6%	2.3%	2.2%	2.7%	3.0%	0.1%	1.9%
General Merchandise	0.4%	1.1%	1.4%	2.6%	2.8%	3.7%	4.8%	5.9%	5.3%	5.4%	4.8%	4.7%	0.8%	1.1%
Total B&M retail	-3.6%	-3.2%	-3.2%	-2.9%	-3.3%	-2.8%	-2.5%	-2.3%	-3.1%	-3.7%	-3.8%	-3.7%	-7.1%	-6.0%
Total online retail	0.2%	0.8%	0.7%	0.5%	1.4%	2.4%	3.5%	3.7%	3.9%	4.0%	3.9%	3.3%	2.7%	1.2%
Total card debit	-0.6%	0.3%	-0.6%	-0.7%	-0.7%	-0.3%	0.1%	0.1%	-0.2%	-0.3%	-0.4%	-0.3%	-1.6%	-2.0%
Total card credit	-2.3%	-2.1%	-1.9%	-2.0%	-1.7%	-1.1%	-0.5%	-0.2%	-0.9%	-1.5%	-2.0%	-2.8%	-3.5%	-4.0%

**Source:** BAC internal data. Note: The 1-yr % change shows the change between the current date at the head of the table column and its comparable date a year ago. Total card spending includes total BAC card activity, which captures retail sales and services that are paid with cards. Does not include ACH payments. B&M (Brick & Mortar) retail means retail purchases at the store. Card not present is largely online but could include purchases made over the phone.

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## Methodology explained

Readers should be aware that although the BAC datasets utilized in our analysis represent a significant number of data points, they nevertheless present a degree of selection bias, including but not limited to income levels and geographies. In addition, the data is limited to debit and credit cards and does not include other payment methods such as cash or checks.

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BAC data used in this report include spending from active US households (HHs) only. Spending from corporate cards are excluded.

Our methodology for calculating the growth rates for daily data: we calculate the %y/y growth rate by matching calendar days (Jan 1 2024 is matched to Jan 1 2023). The % change is calculated based on the 7-day moving average of spending levels.

Unless otherwise noted, the monthly subsector data are adjusted to control for seasonality and other factors.

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