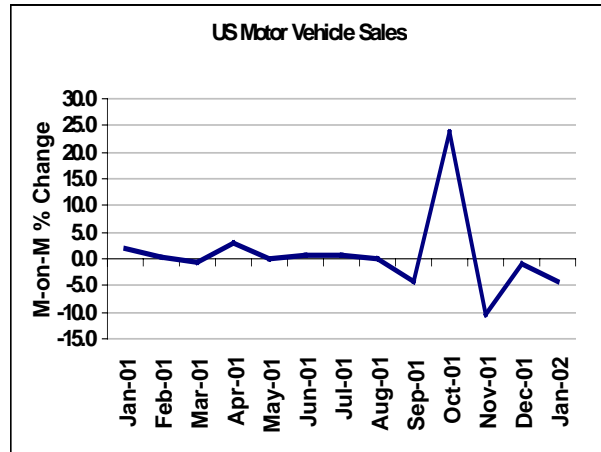
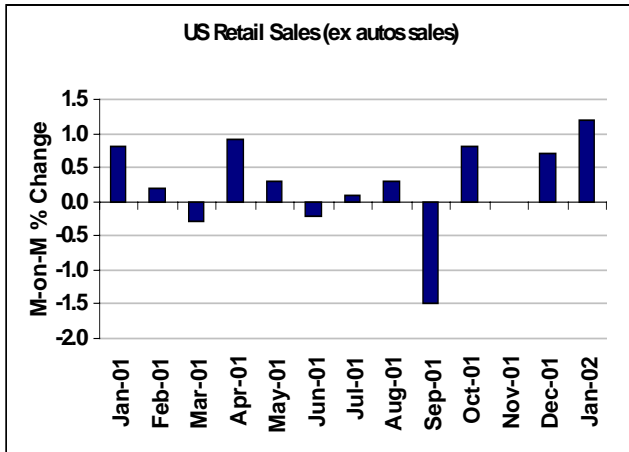


US Consumer is Still Spending



US consumers remain resilient. Headline retail sales met expectations in January, dropping 0.2% from the previous month. However, while monthly declines (-4.3% after a 1.1% drop in December) in auto sales continue to weigh on the industry, ex auto retail sales were up 1.2%. Inside this numbers, the value of overall sales were aided by a rebound in petrol prices, with gasoline stations enjoying a 5.1% gain in monthly sales. However, excluding both autos and garage sales core demand was up a strong 0.8%. December's retail figures were also upwardly revised, erasing a 0.1% decline in growth to show a 0.2% rise for the month. While increased strength in the December numbers makes the January monthly growth all the more impressive, it also gives a better look to the 2001 holiday season.

January's robust spending suggests that first-quarter economic activity could be stronger than expected. The increased activity is likely to be reflected in a turn around in inventories. With stocks as lean as they currently are, manufacturers will be quick to boost production in response to any improvement in demand from retailers who will be rushing to restock shelves.

The US data flow is reduced to a trickle growth over the next week or so and as such expectations for a recovery are unlikely to get the same boost as they did from the retail sales report. Nevertheless, growing confidence in the US recovery should be sufficient to sustain dollar strength. Other US data released last week were not as robust as the retail sales report but still suggest that the economic slump in the US is easing faster than that in the euro-zone. In contrast to the US numbers, German retail sales fell 4.1% in December and while US industrial production contracted by a further 0.1% in December, French production fell by a much bigger 0.9%.

**Geraldine Concagh**  
**15 February 2002**