



Consumer spending is facing potential headwinds from higher prices due to tariffs, stock market volatility, and lingering uncertainty around economic policy. (UBS)

US retail sales report indicates moderate recovery in February

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US retail sales edged up 0.2% in February, falling short of consensus estimates of 0.6%, while January's decline was revised lower to a 1.2% drop. Excluding autos, sales rose 0.3%, in line with market expectations.

Weakness was broad-based, with seven of the 13 retail categories posting declines. Notably, restaurant and bar sales fell by the most in a year, signaling softer discretionary spending. Meanwhile, the control group sales, which flows directly into GDP consumption estimates, rose 1%, well above the 0.4% forecast, signaling a bright spot in an otherwise weak report.

Our view: While February's retail sales gain suggests a rebound from January's sharp decline, the overall trend remains subdued. Consumer spending is facing potential headwinds from higher prices due to tariffs, stock market volatility, and lingering uncertainty around economic policy.

However, the strength in the control group provides a more encouraging signal, suggesting that underlying consumer demand may be stronger than the headline figures indicate. Steady consumer spending, supported by a solid labor market entailing rising wages and a historically low unemployment rate, should help support overall growth. In our view, the economy should grow close to its 2% trend this year, but tariffs are a risk to the economic outlook.

Assuming our base case for tariffs, we still expect 50 basis points of easing in 2025 from the Fed. This should support a move higher in US equities, while falling returns on cash underline the importance of being invested.

Original report: [Bullion breaks USD 3,000/oz: Can gold shine brighter still? 18 March 2025.](#)

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