

## Consumers Spend Big Despite Soaring Prices

January retail sales surprised to the upside, nearly doubling forecasts with an enormous +3.8% month-over-month gain, a sharp rebound from the revised -2.5% decline logged in December. Although the COVID era has produced much larger monthly increases, it had been 20 years in the pre-COVID era since retail sales climbed this much in a single month. However, *the January number comes with its share of asterisks*. Most notably, the fact that retail sales represent *total dollars spent and are not adjusted for inflation*. Obviously, when inflation is running at a 40-year high, a very significant portion of the dollars handed over to merchants reflect higher prices. Another key consideration is that this report focuses almost entirely on goods, with restaurant sales being the sole contributor from the hard-hit service sector.

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