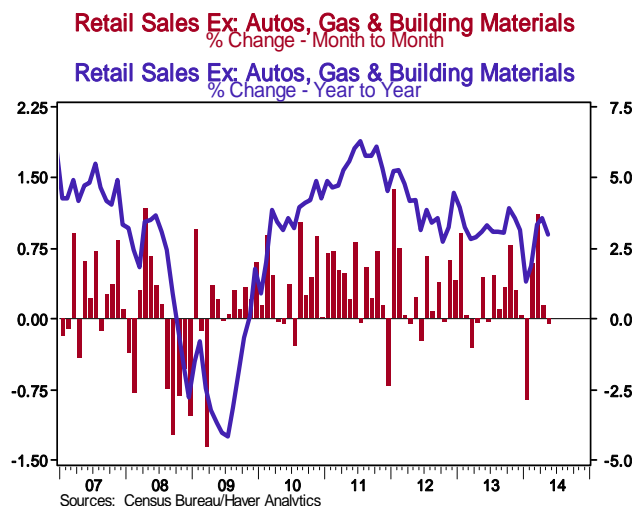
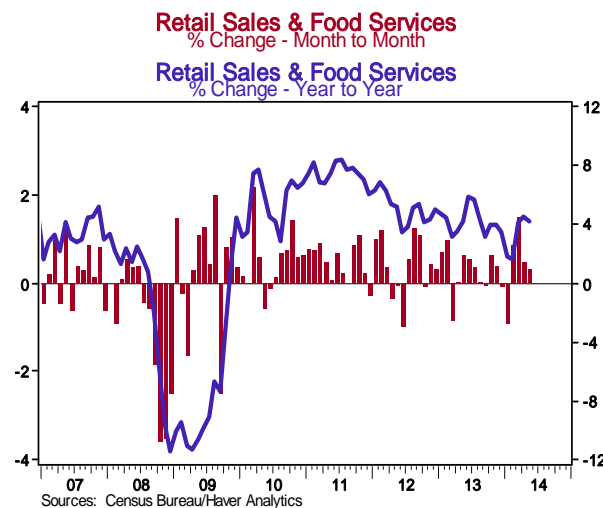


May Retail Sales

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- Retail sales increased 0.3% in May (+0.7% including revisions for March/April) versus a consensus expected 0.6% gain. Sales are up 4.3% versus a year ago.
- Sales excluding autos increased 0.1% in May (0.4% including revisions to prior months). The consensus expected a gain of 0.4%. These sales are up 2.8% in the past year.
- The increase in sales in May was led by autos and building materials. The weakest categories were general merchandise stores and clothing & accessory stores.
- Sales excluding autos, building materials, and gas were down -0.1% in May (+0.1% including revisions to prior months). If unchanged in June, these sales will be up at an 8.3% annual rate in Q2 versus the Q1 average.

Implications: A tepid headline number for retail sales today as sales rose only 0.3% in May, slower than the 0.6% the consensus had expected. However, adding upward revisions to data from prior months puts the level of retail sales up a solid 0.7% from the previous monthly level. Over the past three months, retail sales are up 9.8% at an annual rate versus a YOY increase of just 4.3%. Sales of autos led the way in May, growing 1.4%, and are up at a 27.5% annual rate in the past three months. “Core” sales, which exclude autos, building materials and gas, were down -0.1% in May. But, including revisions to March/April, core sales were up 0.1%. These sales are a key input into the GDP data and it looks like “real” (inflation-adjusted) consumer spending, goods and services combined, will be up around a 3% annual rate in Q2. In other news this morning, new claims for unemployment insurance increased 4,000 last week to, a still low, 317,000. Continuing claims rose 11,000 to 2.61 million. It’s early, but plugging these figures into our models suggests another Plow Horse gain of about 195,000 in nonfarm payrolls in June, another solid month. On the inflation front, still no sign of loose monetary policy showing up in prices in the international trade sector. Import prices increased 0.1% in May and are up only 0.4% in the past year. Excluding oil, import prices slipped 0.1% in May and are down 0.2% from last year. Export prices, both including and excluding agriculture, increased 0.1% in May and are up only 0.5% from a year ago.



Retail Sales <i>All Data Seasonally Adjusted</i>	May-14	Apr-14	Mar-14	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.3%	0.5%	1.5%	9.8%	4.5%	4.3%
Ex Autos	0.1%	0.4%	0.9%	5.8%	3.4%	2.8%
Ex Autos and Building Materials	0.0%	0.3%	0.8%	4.4%	2.6%	2.7%
Ex Autos, Building Materials and Gasoline	-0.1%	0.2%	1.1%	5.0%	2.0%	3.0%
Autos	1.4%	0.9%	3.9%	27.5%	8.9%	10.4%
Building Materials	1.1%	1.9%	2.3%	23.1%	11.6%	4.6%
Gasoline	0.4%	0.9%	-1.0%	0.8%	6.6%	0.4%

Source: Bureau of Census