

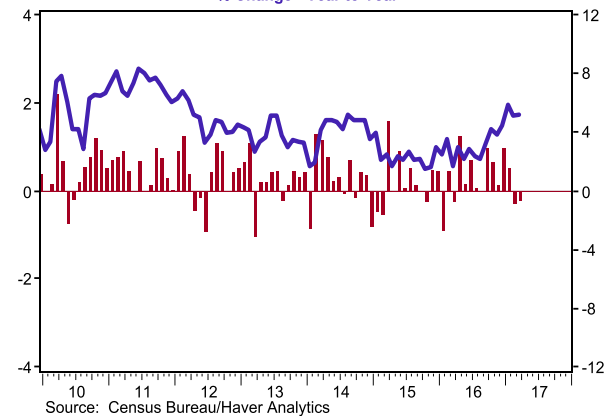
March Retail Sales

Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist
 Strider Elass – Economist

- Retail sales declined 0.2% in March, matching consensus expectations. Including revisions to January/February, retail sales fell 0.7%. Retail sales are still up 5.2% versus a year ago.
- Sales excluding autos were unchanged in March (-0.1% including revisions to prior months), coming in below the consensus expected 0.1% gain. These sales are up 5.0% in the past year. Excluding autos and gas, sales rose 0.1% in March and are up 4.1% from a year ago.
- The decline in sales in March was led by autos, building materials, and gas stations. The largest gains were for food & beverage stores and non-store retailers (internet and mail-order).
- Sales excluding autos, building materials, and gas rose 0.4% in March, but were unchanged including revisions to prior months. These sales were up at a 4.1% annual rate in Q1 versus the Q4 average.

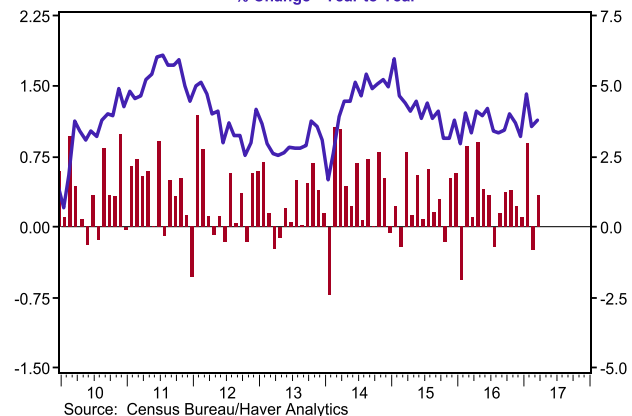
Retail Sales & Food Services
 % Change - Month to Month

Retail Sales & Food Services
 % Change - Year to Year



Retail Sales Ex: Autos, Gas & Building Materials
 % Change - Month to Month

Retail Sales Ex: Autos, Gas & Building Materials
 % Change - Year to Year



Implications: Retail sales declined 0.2% in March, matching consensus expectations, and were revised lower for January and February. Including these revisions, sales were down 0.7%. Although some analysts are concerned about some sort of consumer malaise, we think temporary factors are at work and sales will pop upward in the months to come. First, there has been a delay in tax refunds this year as the IRS puts more effort into checking for fraud related to the earned-income tax credit (EITC) and additional child tax credit (ACTC). Second, Easter fell much later than normal this year, pulling sales into April instead of March. Third, harsh March weather in the Northeast impacted sales of autos and building materials. As these temporary factors wane, consumer spending will rebound. Notice how the three weakest categories of sales in March are three of the most volatile sectors: autos, building materials, and gas. We like to follow “core” sales, which excludes these components and that rose a healthy 0.4% in March. And even with the overall sales decline in March, retail sales are still up a very healthy 5.2% in the past year. The fundamental trends that drive growth in consumer spending continue to look good, including healthy job growth, accelerating wages, and very low consumer financial obligations relative to historical norms. After the pop in consumer spending we expect for April, the pessimists will have to come up with something else to worry about.

Retail Sales <i>All Data Seasonally Adjusted</i>	Mar-17	Feb-17	Jan-17	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	-0.2%	-0.3%	0.5%	0.2%	3.7%	5.2%
Ex Autos	0.0%	0.0%	1.1%	4.9%	5.1%	5.0%
Ex Autos and Building Materials	0.2%	-0.2%	1.0%	4.0%	4.5%	4.8%
Ex Autos, Building Materials and Gasoline	0.4%	-0.2%	0.9%	4.1%	3.5%	3.8%
Autos	-1.2%	-1.5%	-1.6%	-16.0%	-1.6%	5.6%
Building Materials	-1.5%	2.6%	0.9%	8.4%	11.1%	6.3%
Gasoline	-1.0%	-0.3%	2.1%	3.0%	13.6%	14.3%

Source: Bureau of Census