

JANUARY RETAIL SALES

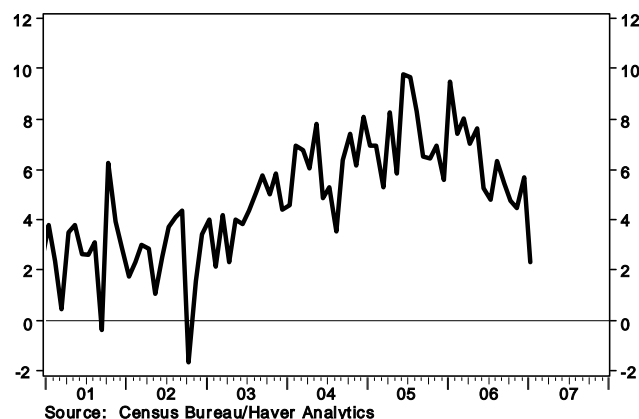
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- January retail sales were unchanged versus a consensus expected gain of 0.3%. Retail sales were up 2.3% versus January 2006.
- December retail sales were revised up to a gain of 1.2% from an originally estimated increase of 0.9%. The upward revision was due to much stronger sales of autos and building materials than originally estimated.
- The largest gains in January sales were in general merchandise stores (department stores and warehouse clubs), building materials, and grocery stores. The largest declines were in motor vehicles and gas station sales, which fell 1.3% and 0.7% respectively.
- Excluding autos, sales were up 0.3% in January. Excluding autos, building materials, and gas, sales were up 0.4%.

Implications: Despite an unchanged reading on January retail sales, and an apparently weak 2.3% year-to-year gain, the details of today's report suggest strength, not weakness. Volatile spending patterns during December and January of 2006 make comparisons to year-ago sales look weak. Those patterns will shift in the months ahead and year-to-year gains will improve. Retail sales excluding autos and building materials are a direct feed into GDP data (auto sales data come from another source and building materials are counted as investment) – and they increased 0.3% in January and are up 9.1% annual rate in the past three months. Excluding gasoline, which is often driven by price effects rather than volume, retail sales were up 0.4% in January and up at a 7.2% rate the past three months. The bottom-line is that retail sales remain robust and the economy continues to exhibit strong upward momentum.

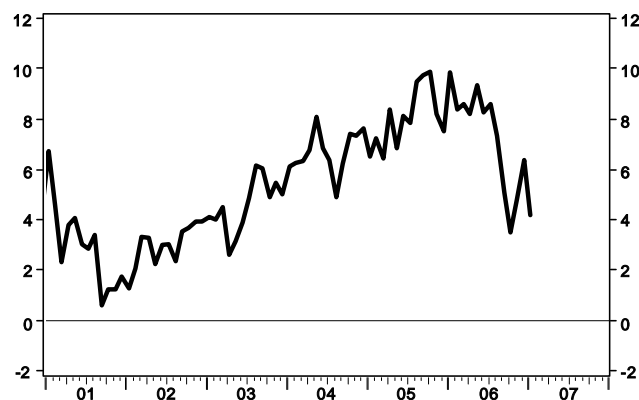
Retail Sales & Food Services

% Change - Year to Year SA, MIL. \$



Retail Sales and Food Services EX: Autos and Building Materials

% Change - Year to Year millions



Retail Sales <i>All Data Seasonally Adjusted</i>	Jan-07	Dec-06	Nov-06	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.0%	1.2%	0.4%	6.6%	1.6%	2.3%
Ex Autos	0.3%	1.3%	0.6%	9.1%	1.6%	3.4%
Ex Autos and Building Materials	0.3%	1.3%	0.6%	9.1%	2.1%	4.2%
Ex Autos, Building Materials and Gasoline	0.4%	1.0%	0.3%	7.2%	6.0%	5.3%
Autos	-1.3%	1.0%	-0.3%	-2.2%	1.6%	-1.7%
Building Materials	0.8%	0.7%	0.7%	8.8%	-2.0%	-3.1%
Gasoline	-0.7%	3.6%	2.4%	23.3%	-19.5%	-2.9%

Source: Bureau of Census