

FEBRUARY RETAIL SALES

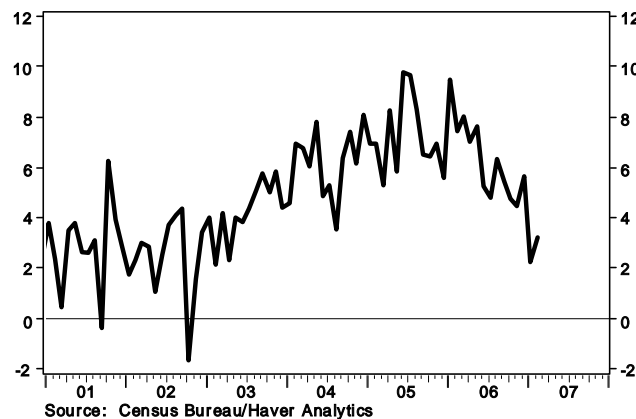
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- February retail sales increased 0.1% versus a consensus expected gain of 0.3%. Retail sales were up 3.2% versus February 2006.
- The largest gains in retail sales were in autos, food and beverage stores, gas stations, and “non-store retailers” (internet and mail-order sales). Activity was weak at clothing and accessory stores, department stores, restaurants and bars, and for building materials.
- Sales of building materials are being affected by the housing slowdown. They are down 6.5% versus a year ago, the steepest one-year decline since the 1990-91 recession.
- Excluding autos, sales were down 0.1% in February. Excluding autos, building materials, and gas, sales were down 0.2%.

Implications: The past two months have not been strong for retail sales but follow an unusually strong December. 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 have increased at a 6.2% annual rate in the past three months despite being unchanged in February. Given today’s data, we project that real (inflation-adjusted) consumption growth will be up at about a healthy 3.5% rate in the first quarter.

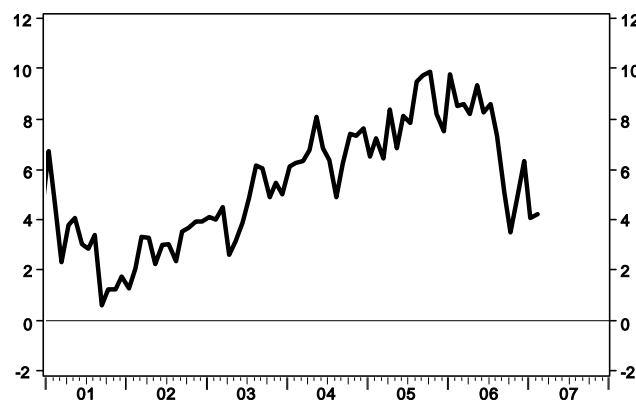
Retail Sales & Food Services

% 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>	Feb-07	Jan-07	Dec-06	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr % Change
Retail Sales and Food Services	0.1%	0.0%	1.2%	4.9%	1.6%	3.2%
Ex Autos	-0.1%	0.2%	1.1%	4.9%	0.7%	3.1%
Ex Autos and Building Materials	0.0%	0.2%	1.3%	6.2%	1.5%	4.2%
Ex Autos, Building Materials and Gasoline	-0.2%	0.3%	0.8%	4.2%	4.3%	4.8%
Autos	0.9%	-0.9%	1.2%	5.0%	5.3%	3.8%
Building Materials	-1.4%	-0.2%	0.0%	-6.2%	-6.7%	-6.5%
Gasoline	1.2%	-0.5%	4.1%	20.8%	-14.3%	0.6%

Source: Bureau of Census