

MARCH RETAIL SALES

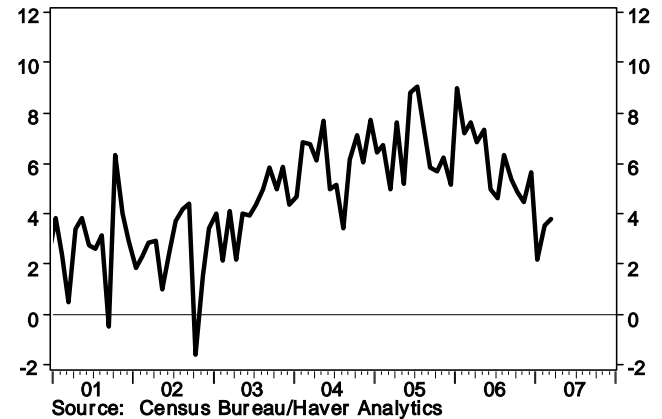
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- March retail sales increased 0.7% overall and 0.8% excluding autos, both close to consensus expectations. February retail sales were revised to show a 0.5% gain, after originally being reported as up just 0.1%. Retail sales are up 3.8% from a year ago, 3.9% excluding autos.
- The largest gains in retail sales were in gasoline, building materials, clothing and accessory stores, general merchandise stores (which includes department stores), and restaurants and bars. The rebound in building materials was the largest gain since January 2006.
- Activity was weak for furniture and non-store retailers (internet and mail-order purchases), although the weakness in non-store retail sales followed the largest one-month gain since 1994.
- Excluding autos, building materials, and gas, sales were up 0.3% in March and February's originally reported drop of 0.2% was revised to a gain of 0.3%.

Implications: Today's retail sales data is a bullish sign for the US economy. 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 these sales jumped 7% at an annual rate in Q1, after growing at rates of only 3.7% and 0.1% in the last two quarters of 2006. Given today's data, we project real (inflation-adjusted) consumption – goods and services combined – rose an annualized 3.7% rate in Q1. This will help offset continued weakness in housing.

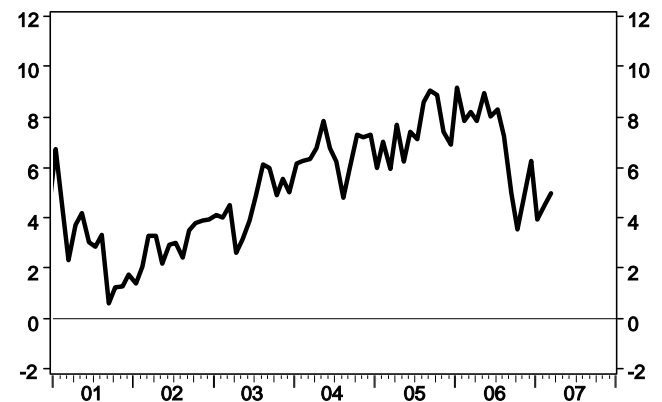
Retail Sales & Food Services

% 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>	Mar-07	Feb-07	Jan-07	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.7%	0.5%	0.0%	4.7%	5.4%	3.8%
Ex Autos	0.8%	0.4%	0.2%	5.5%	5.6%	3.9%
Ex Autos and Building Materials	0.7%	0.5%	0.2%	5.4%	5.9%	5.0%
Ex Autos, Building Materials and Gasoline	0.3%	0.3%	0.2%	3.4%	4.7%	4.9%
Autos	0.4%	0.9%	-0.8%	1.8%	4.6%	3.2%
Building Materials	1.4%	-0.2%	0.3%	6.3%	3.0%	-4.4%
Gasoline	3.1%	1.5%	0.0%	19.9%	14.1%	5.2%

Source: Bureau of Census