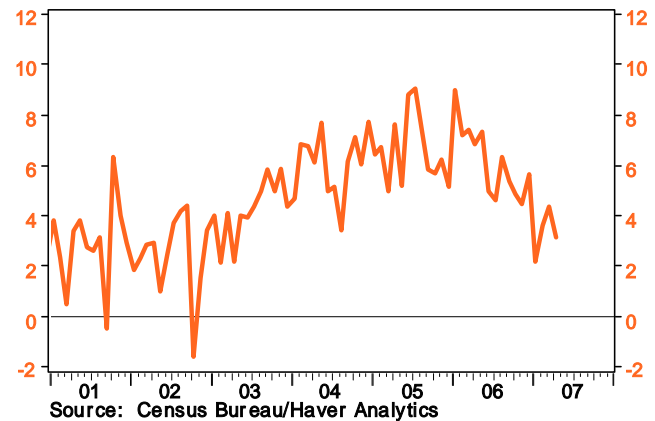


## APRIL RETAIL SALES

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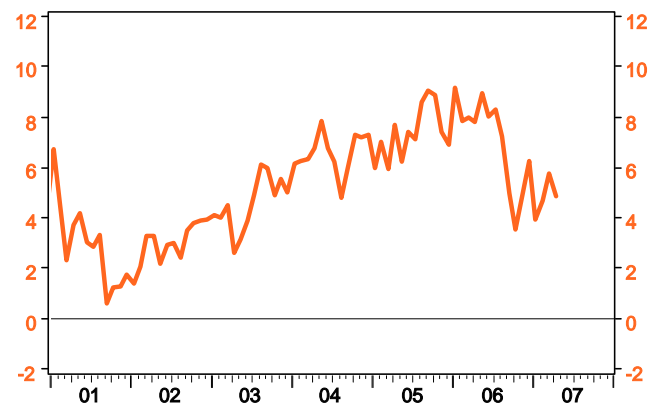
- April retail sales declined 0.2% and were unchanged excluding autos, both worse than the consensus expected. However, retail sales were revised up noticeably for both February and March, putting the level of sales in April about where expected. Retail sales are up 3.2% from a year ago, 3.7% excluding autos.
- The largest gains in retail sales were at gas stations and grocery stores. Activity was weak for autos, building materials, clothing stores, and general merchandise stores (which includes department stores).
- Excluding autos, building materials, and gas, sales were unchanged in April but revised up for February (to 0.5% from 0.3%) and March (to 0.8% from 0.3%).

Retail Sales & Food Services  
 % Change - Year to Year



**Implications:** Today's retail sales report should be put in the context of Easter's timing this year. As it turns out, sales were even stronger than previously estimated in February and March (Easter was in early April), so we do not view a lull in April as a negative sign for the 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 are up 8.3% at an annual rate in the past three months. Excluding gas from this metric (gas sales are usually driven by inflation) shows a remarkably stable consumer, with a 5.5% annual rate of growth in the past three months, 5.3% in the past six months, and 5.4% in the past year.

Retail Sales and Food Services EX: Autos and Building Materials  
 % Change - Year to Year



| <b>Retail Sales</b><br><i>All Data Seasonally Adjusted</i> | <b>Apr-07</b> | <b>Mar-07</b> | <b>Feb-07</b> | <b>3-mo % Ch.</b><br><i>annualized</i> | <b>6-mo % Ch.</b><br><i>annualized</i> | <b>Yr to Yr</b><br><i>% Change</i> |
|------------------------------------------------------------|---------------|---------------|---------------|----------------------------------------|----------------------------------------|------------------------------------|
| <b>Retail Sales and Food Services</b>                      | <b>-0.2%</b>  | 1.0%          | 0.6%          | 5.3%                                   | 5.6%                                   | 3.2%                               |
| <i>Ex Autos</i>                                            | <b>0.0%</b>   | 1.1%          | 0.5%          | 6.6%                                   | 7.0%                                   | 3.7%                               |
| <i>Ex Autos and Building Materials</i>                     | <b>0.2%</b>   | 1.1%          | 0.6%          | 8.3%                                   | 8.1%                                   | 4.8%                               |
| <i>Ex Autos, Building Materials and Gasoline</i>           | <b>0.0%</b>   | 0.8%          | 0.5%          | 5.5%                                   | 5.3%                                   | 5.4%                               |
| <b>Autos</b>                                               | <b>-1.0%</b>  | 0.4%          | 0.8%          | 0.8%                                   | 0.7%                                   | 1.3%                               |
| <b>Building Materials</b>                                  | <b>-2.3%</b>  | 1.0%          | -0.7%         | -7.7%                                  | -2.9%                                  | -6.0%                              |
| <b>Gasoline</b>                                            | <b>1.7%</b>   | 3.2%          | 1.6%          | 29.2%                                  | 30.0%                                  | 1.5%                               |

Source: Bureau of Census