

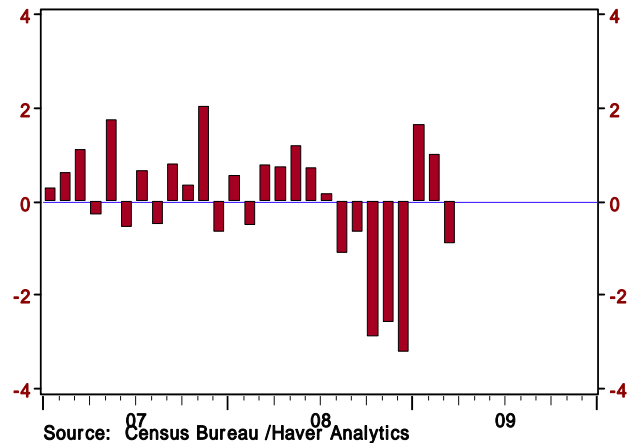
## MARCH RETAIL SALES

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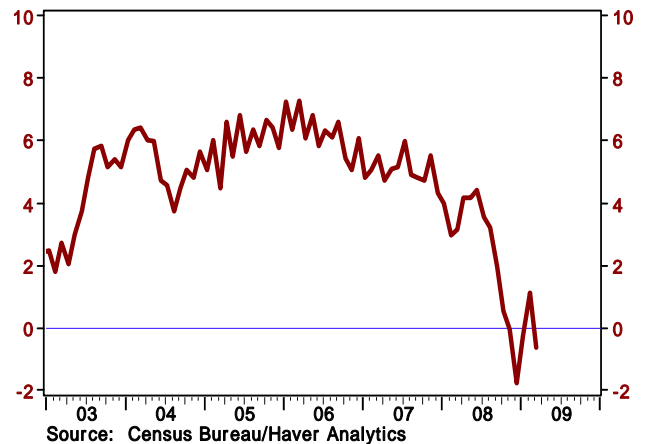
- Retail sales declined 1.1% in March versus a consensus expected increase of 0.3%. Retail sales excluding autos declined 0.9% versus a consensus expected rise of 0.1%. Retail sales are down 9.4% in the past year and down 6.0% excluding autos.
- The drop in retail sales in March was widespread but led by motor vehicles/parts, restaurants/bars, and electronics/appliances. The strongest sector was food/beverage stores.
- Sales excluding autos, building materials, and gas fell 0.9% in March, but the February gain was revised up to 0.9% from a previous estimate of 0.5%. These sales are down 0.7% versus last year.

**Implications:** The top-line figures on retail sales in March are not good, but upward revisions to prior months and a shift in the timing of Easter suggest less weakness than the headline data imply. Easter was in March last year but April this year, and we doubt the government adequately adjusts sales figures for the timing change, which means April retail sales will likely be strong. The path of consumer spending has clearly shifted. In the last three months of 2008, retail sales fell at a 30% annual rate. In the first three months of 2009, despite the March drop, sales are up at a 4% rate. Real (inflation-adjusted) consumption – including services – is likely to be up in the first quarter at about a 1% to 1.5% rate, after declining at a 4.1% annual rate in the second half of 2008. We expect more increases in consumption in Q2 and beyond, with auto sales leading the way. Autos (cars and light trucks, such as pick-ups and SUVs) sold at only a 9.9 million annual rate in March. We estimate that the long-term sustainable pace is 15.9 million per year based on scrappage (accidents and old-age) and population growth. This leaves substantial room for sales increases over the next 18-24 months.

Retail Sales & Food Services Ex Autos  
Monthly % Change



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



Retail Sales <i>All Data Seasonally Adjusted</i>	Mar-09	Feb-09	Jan-09	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
<b>Retail Sales and Food Services</b>	-1.1%	0.3%	1.9%	4.0%	-14.8%	-9.4%
<b>Ex Autos</b>	-0.9%	1.0%	1.6%	6.9%	-13.4%	-6.0%
<b>Ex Autos and Building Materials</b>	-0.9%	1.1%	1.9%	8.6%	-12.9%	-5.7%
<b>Ex Autos, Building Materials and Gasoline</b>	-0.9%	0.9%	1.6%	6.6%	-2.2%	-0.7%
<b>Autos</b>	-2.3%	-3.0%	3.0%	-9.2%	-21.4%	-23.5%
<b>Building Materials</b>	-0.6%	-0.5%	-1.5%	-10.0%	-18.8%	-9.2%
<b>Gasoline</b>	-1.6%	3.1%	4.0%	24.3%	-59.7%	-34.0%

Source: Bureau of Census