

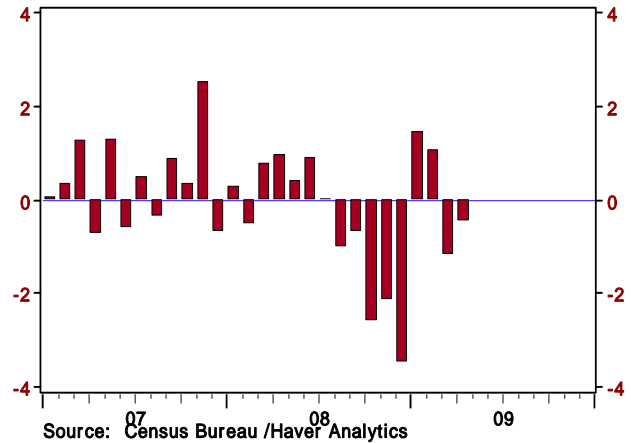
## APRIL RETAIL SALES

Chief Economist – Brian S. Wesbury  
Senior Economist – Robert Stein, CFA

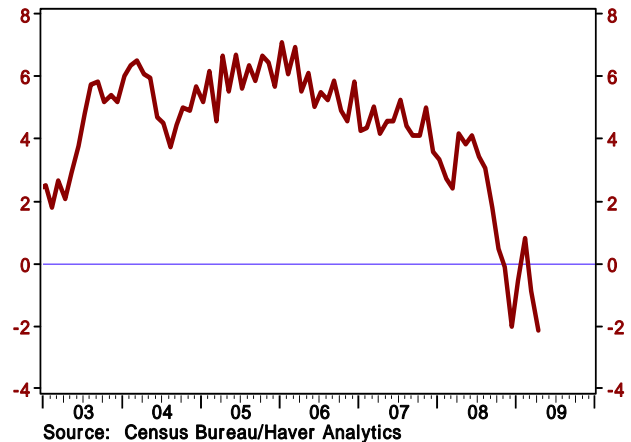
- Retail sales declined 0.4% in April versus a consensus expectation that sales would be unchanged. Retail sales excluding autos declined 0.5% versus a consensus expected rise of 0.2%. Retail sales are down 10.1% in the past year and down 7.7% excluding autos.
- The decline in sales in April was not widespread. In fact, several major categories of sales increased, including motor vehicles, building materials, health/personal stores, sporting goods, and restaurants/bars. The decline in sales was concentrated in only two sectors: gas stations and grocery stores.
- Sales excluding autos, building materials, and gas declined 0.3% in April and are down 2.2% versus last year.

**Implications:** Retail sales declined in April but the drop was concentrated in only two sectors – gas stations and grocery stores – where any weakness is not likely to persist. Excluding these categories, sales were down only 0.1%. We expect a rebound in sales in May/June and trend increases through the rest of 2009 and beyond. Despite rising unemployment, incomes are up *after taxes* and *after* making monthly debt/obligation payments (mortgages, rent, car payments...etc). Now that fewer Americans are concerned about a collapse of the financial system, this will translate into higher consumption. We expect auto sales to play a key role in pushing overall consumption higher. The long-term trend for auto sales is 15.9 million per year. This includes the effects of scrappage (from accidents and old-age) plus population growth. In the past few months, autos have been selling at only a 9 - 10 million annual rate. Although some analysts are concerned that we bought too many cars in the past several years because of overly loose credit standards, our supposedly optimistic projection that auto sales grow back to its long-term trend by early 2011 assumes the number of autos per adult goes back to where it was in 1994, unwinding any surge in car ownership in the late 1990s as well as the “easy credit” 2000s. In other news today, import prices increased 1.6% and export prices increased 0.5%, important signs that the velocity of money continues to revive.

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>	Apr-09	Mar-09	Feb-09	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr % Change
<b>Retail Sales and Food Services</b>	<b>-0.4%</b>	-1.3%	0.4%	-5.0%	-9.5%	-10.1%
<b>Ex Autos</b>	<b>-0.5%</b>	-1.2%	1.1%	-2.4%	-9.4%	-7.7%
<b>Ex Autos and Building Materials</b>	<b>-0.6%</b>	-1.2%	1.2%	-2.2%	-8.9%	-7.4%
<b>Ex Autos, Building Materials and Gasoline</b>	<b>-0.3%</b>	-1.0%	0.9%	-1.7%	-1.5%	-2.2%
<b>Autos</b>	<b>0.2%</b>	-2.0%	-2.7%	-16.9%	-10.4%	-20.7%
<b>Building Materials</b>	<b>0.3%</b>	-0.8%	-0.7%	-4.6%	-13.7%	-10.7%
<b>Gasoline</b>	<b>-2.3%</b>	-3.2%	3.9%	-6.7%	-48.9%	-36.4%

Source: Bureau of Census