

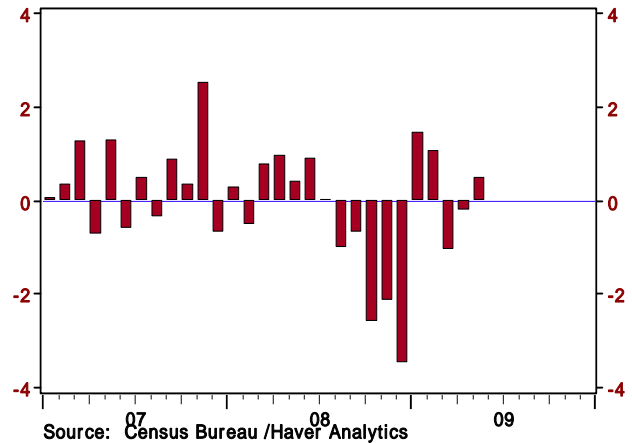
MAY RETAIL SALES

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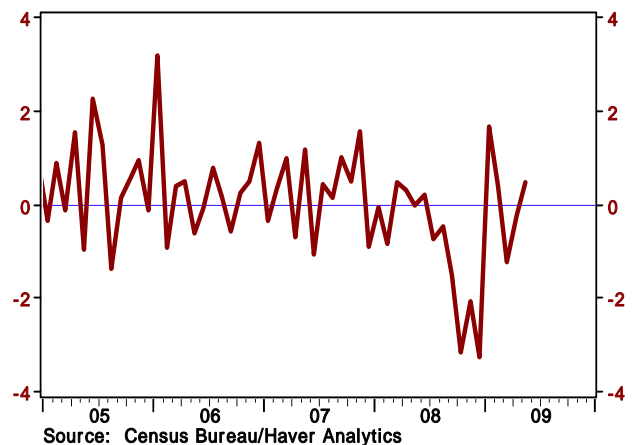
- Retail sales increased 0.5% in May, matching consensus expectations. Retail sales excluding autos increased 0.5% versus a consensus expected rise of 0.2%. Retail sales are down 9.6% in the past year and down 7.3% excluding autos.
- The increase in sales in May was widespread. Most categories of sales increased, including motor vehicles, building materials, food/beverages, health/personal stores, gasoline stations, and clothing. Sporting goods, electronics, furniture, and general merchandise decreased slightly.
- Sales excluding autos, building materials, and gas were unchanged in May and are down 2.1% versus last year.

Implications: Today's retail sales report shows a healthy increase in May and continues the trend of data that are equal to or better than consensus expectations. This report is more confirmation of a V-shaped recovery, and shows the consumer continues to bounce back from the extremely low spending levels of last December, during the heart of the financial panic. In fact, retail sales have *increased* at a 2.6% annual rate in the last five months. We expect the rebound in sales over the past few months to continue through the rest of 2009 and beyond as Americans realize stability is returning to the economy. Despite continued job losses, consumers are more willing to spend because they are becoming confident the labor market is nearing a turnaround. Interestingly enough, auto sales increased in May, even with the bankruptcy of GM and Chrysler last month. In other news today, new claims for unemployment insurance fell yet again, by 24,000 last week to 601,000. This is the lowest level in five months and well below the peak of 674,000 in March. Continuing claims increased 59,000 to 6.816 million. Given the decline in initial claims, continuing claims are likely near the peak.

Retail Sales & Food Services Ex Autos
Monthly % Change



Retail Sales & Food Services
Monthly % Change



| Retail Sales <i>All Data Seasonally Adjusted</i> | May-09 | Apr-09 | Mar-09 | 3-mo % Ch. <i>annualized</i> | 6-mo % Ch. <i>annualized</i> | Yr to Yr <i>% Change</i> |
|---|-------------|--------|--------|---------------------------------|---------------------------------|-----------------------------|
| Retail Sales and Food Services | 0.5% | -0.2% | -1.2% | -4.0% | -4.4% | -9.6% |
| Ex Autos | 0.5% | -0.2% | -1.1% | -3.2% | -3.7% | -7.3% |
| Ex Autos and Building Materials | 0.4% | -0.2% | -1.1% | -3.5% | -3.3% | -7.0% |
| Ex Autos, Building Materials and Gasoline | 0.0% | -0.1% | -1.0% | -4.0% | -1.4% | -2.1% |
| Autos | 0.5% | -0.4% | -2.1% | -7.8% | -8.0% | -19.6% |
| Building Materials | 1.3% | -0.6% | -0.6% | 0.4% | -7.3% | -10.3% |
| Gasoline | 3.6% | -0.8% | -2.4% | 1.5% | -17.4% | -33.8% |

Source: Bureau of Census