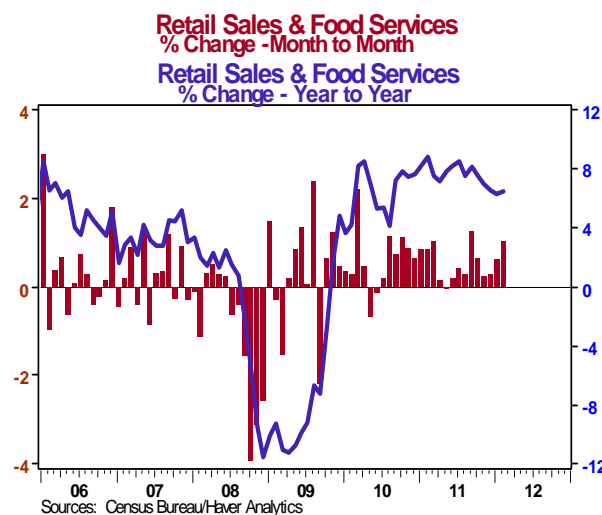


## February Retail Sales

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- Retail sales grew 1.1% in February (1.6% including upward revisions to December/January). The consensus expected an increase of 1.1%. Retail sales are up 6.5% versus a year ago.
- Sales excluding autos rose 0.9% in February (1.7% including upward revisions to December/January). The consensus expected an increase of 0.7%. Retail sales ex-autos are up 6.4% in the past year.
- The increase in retail sales in February was led by gas stations and motor vehicles. Most other subsectors rose as well.
- Sales excluding autos, building materials, and gas rose 0.5% in February (1.0% including upward revisions for December/January). This calculation is important for estimating real GDP.

**Implications:** Great report on retail sales today. Sales grew a strong 1.1% in February, the fastest pace in five months. Sales are up in 19 of the last 20 months and 6.5% above where they were a year ago, easily outstripping retail inflation. Auto sales were strong and higher gas prices were a factor as well, but the gains were widespread across most sectors. For example, spending on building materials rose 1.4% in and is accelerating, up 13.8% from a year ago, but up at an even faster 26.8% annual rate over the past three months. Some of this is probably due to warm winter weather. Also important were the upward revisions for prior months. Including those revisions, overall sales were up 1.6%. And "core" sales, which exclude autos, gas, and building materials, were up 1%. Assuming that the level of retail sales for March is unchanged from February, sales will be up 6.7% at an annualized rate in the first quarter from the fourth quarter, a great sign for nominal growth. Between increasing incomes and smaller debt repayments, the US consumer is able to ramp up spending. We expect all of these trends to continue.



| <b>Retail Sales</b><br><i>All Data Seasonally Adjusted</i> | Feb-12 | Jan-12 | Dec-11 | 3-mo % Ch.<br><i>annualized</i> | 6-mo % Ch.<br><i>annualized</i> | Yr to Yr<br>% Change |
|--|--------|--------|--------|---------------------------------|---------------------------------|----------------------|
| <b>Retail Sales and Food Services</b>                      | 1.1%   | 0.6%   | 0.3%   | 8.3%                            | 8.7%                            | 6.5%                 |
| <b>Ex Autos</b>  | 0.9%   | 1.1%   | -0.2%  | 7.7%                            | 6.6%                            | 6.4%                 |
| <b>Ex Autos and Building Materials</b>                     | 0.9%   | 1.1%   | -0.5%  | 6.2%                            | 5.9%                            | 5.8%                 |
| <b>Ex Autos, Building Materials and Gasoline</b>           | 0.5%   | 1.0%   | -0.2%  | 5.2%                            | 5.5%                            | 5.0%                 |
| <b>Autos</b>   | 1.6%   | -1.6%  | 2.6%   | 10.7%                           | 19.5%                           | 6.9%                 |
| <b>Building Materials</b>                                  | 1.4%   | 1.4%   | 3.2%   | 26.8%                           | 13.7%                           | 13.8%                |
| <b>Gasoline</b>  | 3.3%   | 1.9%   | -2.1%  | 12.5%                           | 8.6%                            | 10.3%                |

Source: Bureau of Census