

March Retail Sales

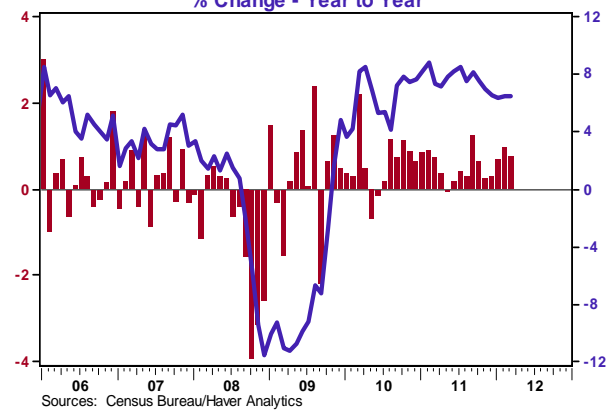
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Senior Economist
Strider Elass – Economic Analyst

- Retail sales increased 0.8% in March, easily beating the consensus expected gain of 0.3%. Retail sales are up 6.5% versus a year ago.
- Sales excluding autos also grew 0.8% in March, versus a consensus expected gain of 0.6%. Retail sales ex-autos are up 6.1% in the past year.
- The increase in retail sales in March was led by building materials, autos, and gas. Most other subsectors rose as well.
- Sales excluding autos, building materials, and gas rose 0.4% in March (0.5% including upward revisions for January/February). This calculation is important for estimating real GDP.

Implications: Another month, another set of nice numbers on retail sales. Consumer spending on goods beat consensus expectations for March and is now up 20 of the past 21 months. The last time retail sales were up this consistently was 1998-2000, during the first internet boom. Compared to a year ago, retail sales are up 6.5%, but the growth has accelerated lately, up at a 10.4% annual rate in the past three months. Sometimes a single category, like autos or gas, can boost sales temporarily. However, excluding autos, gas, and building materials, sales are up at a strong 8.1% annual rate in the past three months. In other words, retail sales gains are broad-based. Notice that all these gains are easily outstripping inflation. Adjusted for the consumer price index, retail sales are up a robust 3.7% in the past year and 5.4% higher in Q1 than Q4. Mixing this data with today's report on inventories suggests real GDP grew at about a 3% annual rate in Q1. The sub-sector that jumps out the most is building materials, which are up 14.1% versus a year ago and up at a 24.2% annual rate in the past three months. Surely, some of this is due to unusually warm weather. But we also think it supports the case that we are in the early stages of a large rebound in home building. In other news this morning, the Empire State index, a measure of manufacturing in New York, fell to +6.6 in April versus +18.0 in March. So factories are still expanding production, just not as quickly. However, the sub-index for employment improved substantially, hitting +19.3 in April versus +13.6 in March.

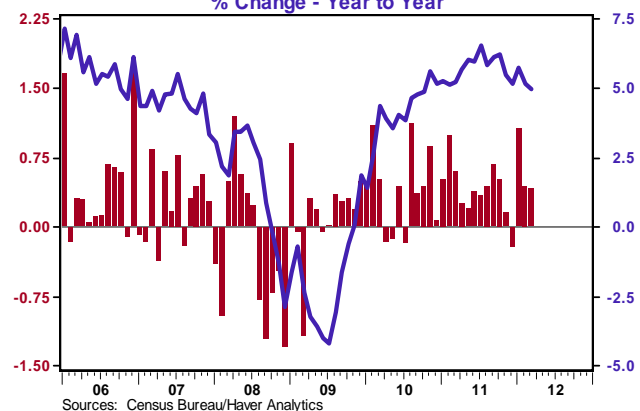
Retail Sales & Food Services
 % Change - Month to Month

Retail Sales & Food Services
 % Change - Year to Year



Retail Sales Ex-Autos, Gas & Building Materials
 % Change - Month to Month

Retail Sales Ex-Autos, Gas & Building Materials
 % Change - Year to Year



Retail Sales <i>All Data Seasonally Adjusted</i>	Mar-12	Feb-12	Jan-12	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.8%	1.0%	0.7%	10.4%	7.7%	6.5%
Ex Autos	0.8%	0.9%	1.2%	12.3%	7.1%	6.1%
Ex Autos and Building Materials	0.5%	0.9%	1.2%	11.2%	5.9%	5.4%
Ex Autos, Building Materials and Gasoline	0.4%	0.5%	1.1%	8.1%	5.0%	5.0%
Autos	0.9%	1.3%	-1.6%	2.2%	10.9%	8.3%
Building Materials	3.0%	0.7%	1.7%	24.2%	19.8%	14.1%
Gasoline	1.1%	3.6%	2.0%	30.6%	10.9%	7.6%

Source: Bureau of Census