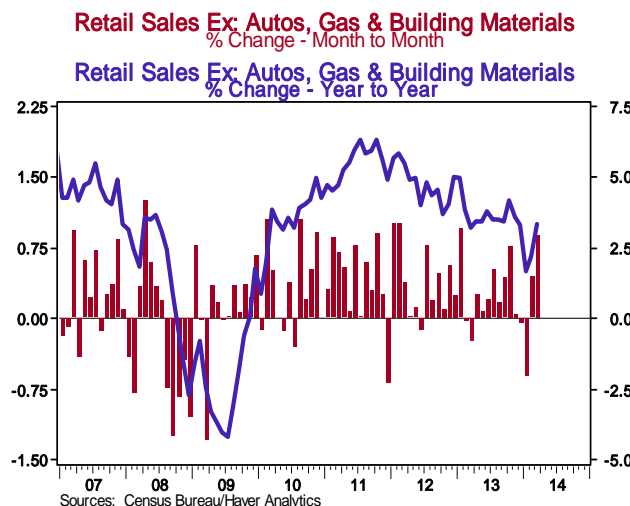
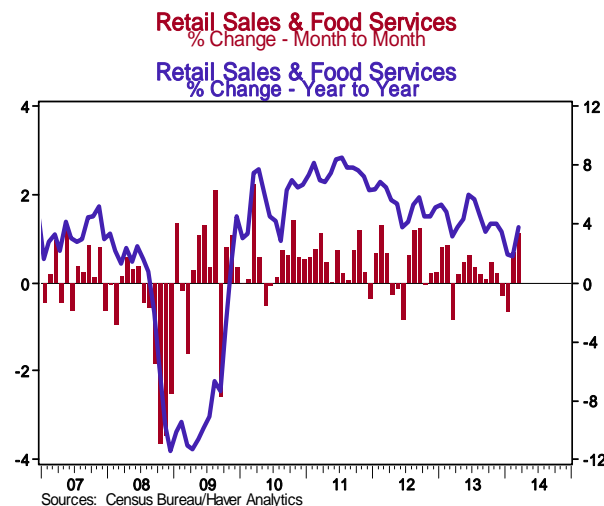


March Retail Sales

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- Retail sales increased 1.1% in March (+1.6% including revisions for January/February) versus a consensus expected 0.9% gain. Sales are up 3.8% versus a year ago.
- Sales excluding autos increased 0.7% in March, beating the consensus expected gain of 0.5%. These sales are up 2.6% in the past year.
- The increase in sales in March was led by autos, general merchandise stores, and non-store retailers (internet and mail-order).
- Sales excluding autos, building materials, and gas increased 0.9% in March (+1.1% including revisions to prior months). These sales were unchanged in Q1 versus the Q4 average.

Implications: Today’s retail sales report shows consumers are not only venturing out again after a very harsh winter, but making up for lost time. After falling in December and January, overall retail sales have increased at an 11.8% annual rate in the past two months. Sales of autos led the way growing 3.1% in March, the largest monthly gain since September 2012. But the spike in sales in March is not just due to volatile auto sales. “Core” sales, which exclude autos, building materials and gas, rose 0.9% in March and were revised higher for previous months. These “core” sales are a key input into the GDP data and it looks like “real” (inflation-adjusted) consumer spending, goods and services combined, grew at a about a 2% annual rate in Q1, in spite of the brutal winter weather throughout much of the country. To put this in perspective, over the past three years, real consumer spending is up at a 2.1% annual rate. For consumer spending to grow over this winter at basically the same trend as the past three years, the underlying fundamentals must be improving. And when we look at debt levels, wage growth and employment gains, we think these gains are sustainable. The one caveat is that real GDP growth likely slowed in Q1 to about a 0.5% rate. But this is largely due to a temporary issue with inventories and we expect real GDP to sharply re-accelerate in Q2. The Plow Horse, recently de-iced, is picking up his pace.



Retail Sales <i>All Data Seasonally Adjusted</i>	Mar-14	Feb-14	Jan-14	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	1.1%	0.7%	-0.7%	4.9%	3.4%	3.8%
Ex Autos	0.7%	0.3%	-0.3%	2.9%	2.2%	2.6%
Ex Autos and Building Materials	0.6%	0.4%	-0.4%	2.4%	2.4%	2.4%
Ex Autos, Building Materials and Gasoline	0.9%	0.5%	-0.6%	3.0%	3.1%	3.3%
Autos	3.1%	2.5%	-2.4%	13.4%	8.2%	9.1%
Building Materials	1.8%	-0.6%	1.2%	10.1%	2.2%	5.7%
Gasoline	-1.3%	0.1%	0.8%	-1.6%	-1.9%	-3.3%

Source: Bureau of Census