

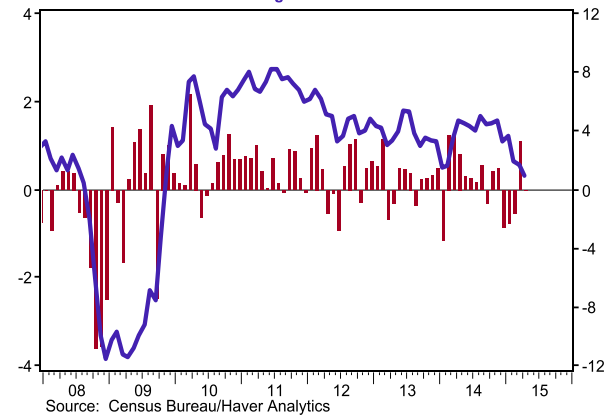
# April Retail Sales

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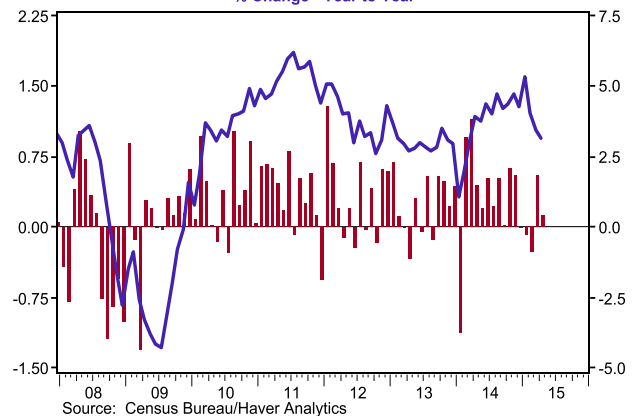
- Retail sales were unchanged in April, (+0.2% including revisions to prior months). The consensus expected a gain of 0.2%. Sales are up 0.9% versus a year ago.
- Sales excluding autos increased 0.1% in April and were up 0.3% including revisions to prior months. The consensus expected a gain of 0.5%. These sales are unchanged in the past year, but excluding both autos and gas, sales are up 3.2%.
- The lack of change in sales in April was due to gains in restaurants & bars as well as non-store retailers (internet and mail order) being offset by declines in autos, general merchandise stores, and gas stations.
- Sales excluding autos, building materials, and gas increased 0.1% in April (+0.2% including revisions to prior months). If unchanged in May/June, these sales will be up at a 1.7% annual rate in Q2 versus the Q1 average.

**Implications:** Please feel free to discount the importance of the weak headline for April retail sales, which were unchanged from March, falling short of the consensus expected gain of 0.2%. Sales in March were revised up to a 1.1% gain, the largest monthly increase in a year, and “core” sales rose in April for the 13<sup>th</sup> time in the last 15 months. We follow core sales because it excludes the most volatile portions of the report (autos, building materials, and gas station sales). Plugging core sales into our models suggests “real” (inflation-adjusted) consumer spending, on goods and services combined, will be up at about a 2% annual rate in Q2, very close to the pace in Q1. However, growth in consumer spending should be stronger in the second half the year. Every one cent decline in the gas prices saves consumers about \$3.7 million per day. So, right now, consumers are spending \$370 million less a day on gas versus a year ago. Look for those savings to generate higher sales in other sectors in the months ahead. In other news this morning, business inventories increased 0.1% in March, which was less than the consensus expected. Comparing the inventory report to what the government assumed when it released its first report for Q1 real GDP growth, it now looks like real GDP contracted at a 0.9% annual rate in Q1 versus a report two weeks ago that it grew at a 0.2% rate. This is NOT a reason to worry about the economy, though. Due to unusually bad weather, real GDP shrank at a 2.1% rate in the first quarter of 2014 and then bounced back rapidly over the next two quarters. This year, we had not only bad weather in Q1 but also port strikes and a drop in drilling activity, all temporary factors, and expect another rapid rebound in 2015. Meanwhile, on the inflation front, no sign of a problem in the trade sector. Import prices declined 0.3% in April and are down 10.7% from a year ago. The drop is mostly oil, but not all of it; import prices are down 2.7% from a year ago even excluding oil. Export prices declined 0.7% in April, both including and excluding farm products. Export prices are down 6.3% from a year ago.

**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>	Apr-15	Mar-15	Feb-15	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
<b>Retail Sales and Food Services</b>	<b>0.0%</b>	1.1%	-0.5%	2.4%	-1.1%	0.9%
<b>Ex Autos</b>	<b>0.1%</b>	0.7%	-0.1%	2.6%	-2.2%	0.0%
<b>Ex Autos and Building Materials</b>	<b>0.0%</b>	0.5%	0.0%	2.5%	-2.8%	-0.4%
<b>Ex Autos, Building Materials and Gasoline</b>	<b>0.1%</b>	0.6%	-0.3%	1.8%	1.9%	3.1%
<b>Autos</b>	<b>-0.4%</b>	2.9%	-2.2%	1.4%	3.5%	4.5%
<b>Building Materials</b>	<b>0.3%</b>	2.3%	-2.0%	2.2%	5.3%	4.1%
<b>Gasoline</b>	<b>-0.7%</b>	0.4%	2.5%	9.1%	-30.8%	-22.0%

Source: Bureau of Census

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