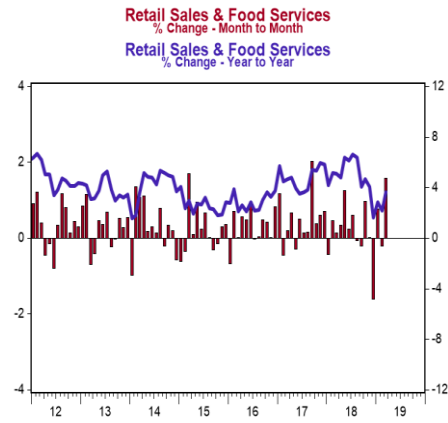


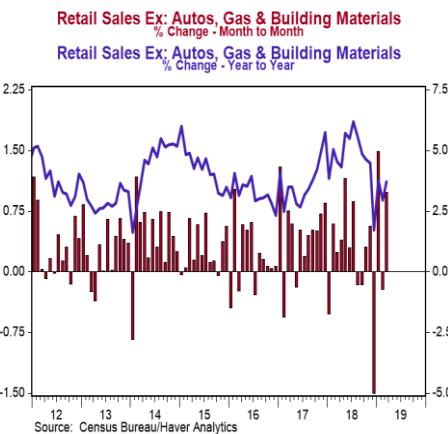
March Retail Sales

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- Retail sales rose 1.6% in March, easily beating the consensus expected gain of 1.0%. Retail sales are up 3.6% versus a year ago.
- Sales excluding autos rose 1.2% in March (+1.4% including revisions to prior months), well above the consensus expected 0.7% gain. These sales are up 3.6% in the past year. Excluding gas, sales were up 1.4% in March and are up 3.7% from a year ago.
- The increase in sales in March was led by autos, gasoline stations, and non-store retailers (internet & mail order). The only decline was for sporting goods, hobby, book & music stores.
- Sales excluding autos, building materials, and gas rose 1.0% in March. These sales were up at a 2.5% annual rate in Q1 versus the Q4 average.



Source: Census Bureau/Haver Analytics



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Implications: Today’s booming retail sales report confirms there is no recession in sight and that the consumer remains on very solid footing. Retail sales soared 1.6% in March, beating even the most optimistic forecast by any economics group and rising by the most since September 2017. The gains in March were broad-based, with twelve of thirteen major categories showing rising sales. The largest gain in dollar terms was for autos. But even outside of autos, retail sales rose 1.2%. “Core” sales, which exclude autos, building materials, and gas stations (the most volatile sectors) were up 1.0% in March, and are up 3.7% from a year ago, while overall retail sales are up 3.6% over the same period. Plugging in today’s data shows that real GDP grew at close to a 2.5% annual rate in the first quarter. Meanwhile, the severity of the December decline in sales will remain a complete mystery given how inconsistent the report was with other economic data. December’s 4.5% decline in sales at non-store retailers, which includes internet sales, was the largest percentage drop since November 2008! Give us a break! Something is wrong with that December report – seasonals, missing data, or an error in the spreadsheets. Unsurprisingly, it only took non-store sales two months to completely wipe out this strange December decline. Non-store sales rose 1.2% in March, are up 11.6% from a year ago, and sit at all-time highs. In fact, for the first time ever, in February non-store retailers surpassed general merchandise stores. This trend continued in March and we don’t expect it to change. Some stores will continue to close, but it’s not due to a weak consumer, just a shift in preferences. Given the tailwinds from deregulation and tax cuts, we expect an average real GDP growth rate of close to 3% in 2019, just like we saw in 2018. Jobs and wages are moving up, tax cuts have taken effect, consumer balance sheets look healthy, and serious (90+ day) debt delinquencies are down substantially from post-recession highs. Some may point to household debt at a record high as reason to doubt that consumption growth can continue. But household assets are near a record high, as well. Relative to assets, household debt levels are hovering near the lowest in more than 30 years. For these reasons, expect solid gains in retail sales over the coming months. In other big news this morning, initial claims for unemployment fell 5,000 last week to 192,000, the lowest level since 1969. Continuing claims, meanwhile, fell 63,000 to 1.653 million. Both of these figures suggest another month of solid job growth in April. In turn, we expect continued reductions in investors’ assessment of the odds of a Fed rate cut later this year. On the manufacturing front, the Philly Fed Index, a measure of East Coast factory sentiment, declined to a still solid +8.5 in April from +13.7 in March, signaling continued growth. *In observance of Good Friday, First Trust offices will be closed tomorrow. Our analysis of the housing starts data out tomorrow morning will instead be sent Monday morning. We hope you have a blessed and happy Easter!*

Retail Sales <i>All Data Seasonally Adjusted</i>	Mar-19	Feb-19	Jan-19	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	1.6%	-0.2%	0.8%	8.8%	2.9%	3.6%
Ex Autos	1.2%	-0.2%	1.4%	9.9%	1.9%	3.6%
Ex Autos and Building Materials	0.0%	0.2%	1.1%	10.8%	2.0%	3.6%
Ex Autos, Building Materials and Gasoline	1.0%	-0.2%	1.5%	9.4%	2.6%	3.7%
Autos	3.1%	-0.1%	-1.8%	4.9%	7.1%	3.8%
Building Materials	0.3%	-4.4%	4.5%	0.7%	1.0%	3.3%
Gasoline	3.5%	3.5%	-1.7%	22.7%	-2.4%	3.1%

Source: Bureau of Census