FEBRUARY RETAIL SALES

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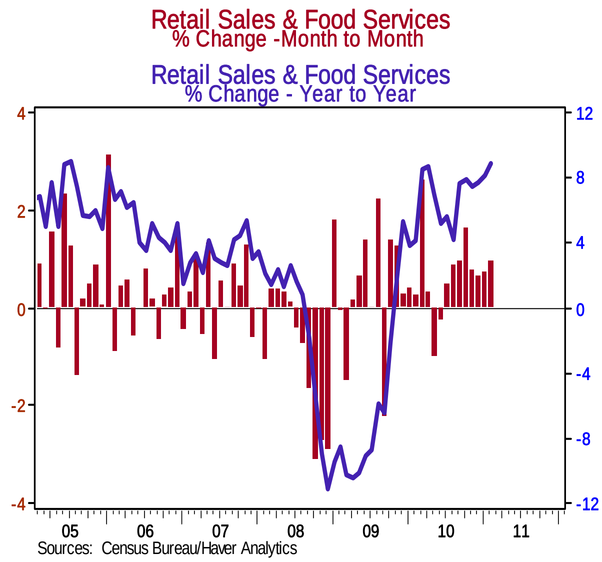
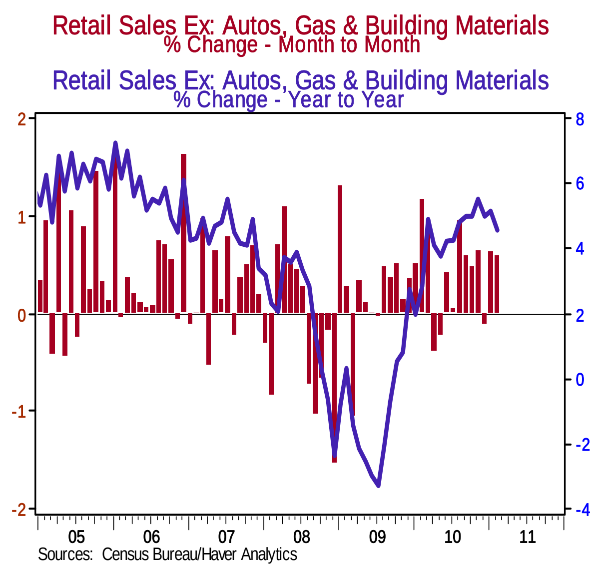
- Retail sales increased 1.0% in February while sales excluding autos rose 0.7%, both exactly as the consensus expected.
- Including upward revisions to December/January, overall sales were up 1.5% while sales ex-autos were up 0.9%. Retail sales are up 8.9% versus a year ago; sales ex-autos are up 6.0%.
- The increase in retail sales for February was led by autos, gas stations, and restaurants/bars. No category of sales showed significant weakness.
- Sales excluding autos, building materials, and gas increased 0.6% in February, and were up 0.7% including revisions for December/January. These sales are up 4.5% versus last year. This calculation is important for estimating GDP.

Implications: Retail sales increased 1.0% in February and an even higher 1.5% including upward revisions for prior months. Sales have now grown for eight straight months, the longest "winning streak" since the late 1990s. The strongest component of sales continued to be autos, which rose 2.3% in February and are up nearly 24% from a year ago. Expect this to continue, as auto sales still remain well below the level needed to keep up with "scrappage" plus the growth of the driving-age population. In addition to better auto sales, "core" sales, which exclude autos, gas, and building materials, increased a healthy 0.6% and were up for the 16th time in the last 19 months. Even if core sales are unchanged in March, the average for Q1 will be up at a 4.7% annual rate versus the Q4 average. We expect consumer spending to continue to move higher. Worker pay and small business profits are up 4.9% in the past year (3.6% adjusted for inflation). Meanwhile, due to low interest rates and all the debt that's already been paid down, consumers' financial obligations (debt service plus other recurring payments like rent, car leases, homeowners' insurance, and property taxes) are now the smallest share of disposable income since the mid-1990s. The US consumer is on a roll, and, for the time being, there is no reason for this to let up.





Retail Sales *All Data Seasonally Adjusted*	Feb-11	Jan-11	Dec-10	3-mo % Ch. *annualized*	6-mo % Ch. *annualized*	Yr to Yr *% Change*
Retail Sales and Food Services	**1.0%**	0.7%	0.6%	9.7%	11.9%	8.9%
Ex Autos	**0.7%**	0.6%	0.3%	6.4%	8.4%	6.0%
Ex Autos and Building Materials	**0.7%**	0.7%	0.1%	6.4%	8.2%	5.6%
Ex Autos, Building Materials and Gasoline	**0.6%**	0.6%	-0.1%	4.5%	5.8%	4.5%
Autos	**2.3%**	1.2%	2.3%	25.6%	29.2%	23.7%
Building Materials	**0.6%**	-1.3%	2.0%	5.3%	9.8%	10.9%
Gasoline	**1.4%**	1.3%	1.8%	19.5%	25.8%	12.9%

Source: Bureau of Census