

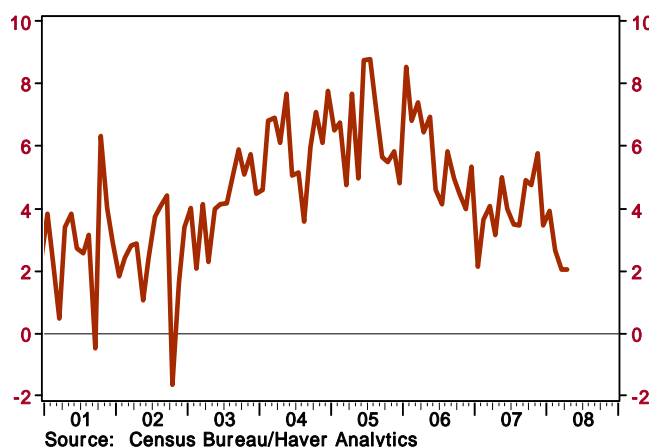
APRIL RETAIL SALES

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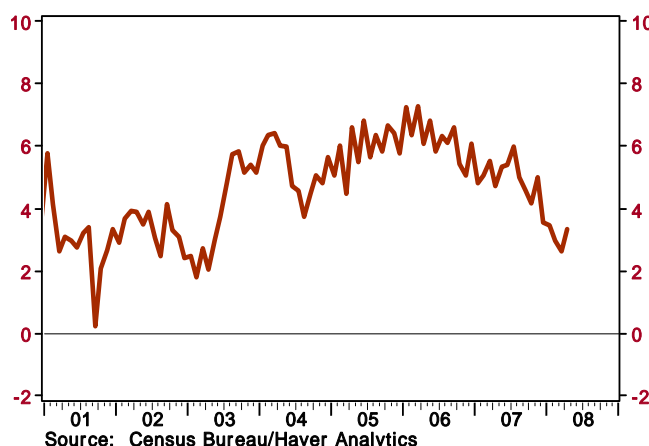
- Retail sales declined 0.2% in April, matching consensus expectations. Retail sales excluding autos increased 0.5%, beating the 0.2% consensus expected gain. Sales in March were revised upward.
- All of the decline on overall sales can be attributed to motor vehicles and parts, which fell 2.8%. Excluding autos, most sectors had higher sales. The strongest sectors were building materials, restaurants/bars, and grocery stores.
- Sales excluding autos, building materials, and gas were up 0.4% in April, revised upward for both February and March, and are up 3.4% versus a year ago.

Implications: The US is not in recession now and is not going into one in 2008. Those forecasting a 2008 recession have always argued that it would be due to slower consumption. But the data show consumer spending remains resilient. Core retail sales (excluding autos, building materials, and gas) were up at an annual rate of 2% in the first quarter. Given the healthy increase in core sales in April, even if they are unchanged in May and June, they would be up at a 2.7% rate in Q2 (versus the Q1 average). It is important to focus on core sales because the government uses a different data source for auto sales, building materials are housing investment (not consumption), and gas sales are usually driven by inflation. Meanwhile, the inflation news went from bad to worse. Import prices increased 1.8% in April and are up 15.4% versus a year ago, yet another record high. This is not all oil-related. Import prices ex-petroleum are up 6.2% versus a year ago, the most since 1988. In other news this morning, business inventories came in weaker than expected for March and inventories in February were revised downward. However, other data on the first quarter have been stronger than the government assumed when initially estimating Q1 real GDP growth at a 0.6% annual rate. We now expect the next report on Q1 real GDP to show the economy grew at a 1.2% rate.

Retail Sales & Food Services
% Change - Year to Year



Retail Sales & Food Serv Excl Auto, Bldg. Materials and Gas
% Change - Year to Year SA, Mil.\$



Retail Sales <i>All Data Seasonally Adjusted</i>	Apr-08	Mar-08	Feb-08	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr % Change
Retail Sales and Food Services	-0.2%	0.2%	-0.5%	-2.0%	0.7%	2.0%
Ex Autos	0.5%	0.4%	-0.2%	2.5%	4.8%	4.5%
Ex Autos and Building Materials	0.3%	0.6%	-0.2%	2.6%	5.6%	5.2%
Ex Autos, Building Materials and Gasoline	0.4%	0.4%	0.0%	3.3%	3.0%	3.4%
Autos	-2.8%	-0.5%	-1.8%	-18.6%	-14.3%	-7.3%
Building Materials	1.9%	-1.5%	0.1%	2.0%	-2.9%	-2.0%
Gasoline	-0.4%	1.6%	-1.4%	-1.2%	20.6%	16.3%

Source: Bureau of Census

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