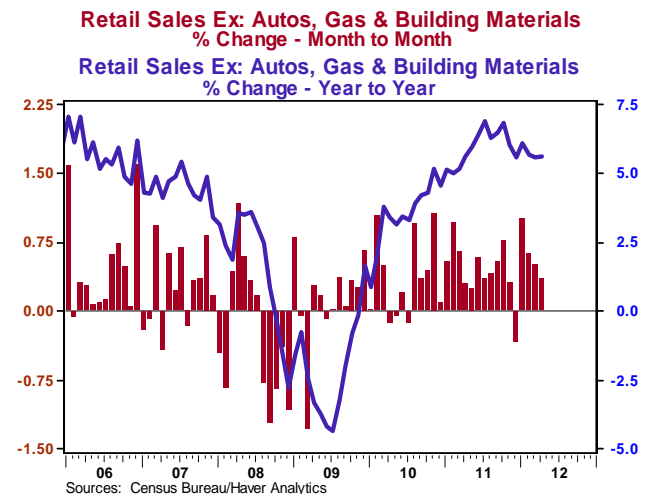
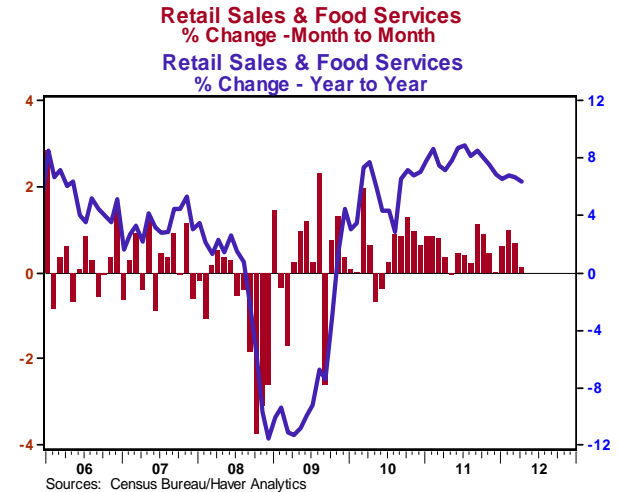


# April Retail Sales

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- Retail sales increased 0.1% in April, matching consensus expectations, but were unchanged including slight downward revisions for February/March. Retail sales are up 6.4% versus a year ago.
- Sales excluding autos grew 0.1% in April versus a consensus expectation of 0.2%. Retail sales ex-autos are up 5.9% in the past year.
- The increase in retail sales in April was led by autos and non-store retailers (mail-order/internet). The largest decline was for building materials, which are still up 10.3% from a year ago.
- Sales excluding autos, building materials, and gas rose 0.4% in April (0.5% including upward revisions for February/March). This calculation is important for estimating real GDP. Even if these sales are unchanged in May/June, they will be up at a 3.7% annual rate in Q2 versus the Q1 average.

**Implications:** The headline numbers for retail sales in April were tepid, with overall sales and sales excluding autos up only 0.1% each. However, the details of the report were much stronger than the headlines. Stripping out the most volatile parts of the report – autos, building materials, and gas – sales were up 0.4% in April and 0.5% including upward revisions for prior months. Even including those volatile categories, sales increased for the 21<sup>st</sup> time in the past 22 months, a remarkably consistent upward trend. Compared to a year ago, retail sales are up 6.4%, but the growth has accelerated lately, up at a 7.7% annual rate in the past three months. Notice that all these gains continue to outstrip inflation. Adjusted for the consumer price index, retail sales are up a robust 4% in the past year. Upward revisions to retail sales for prior months suggest real consumer spending (including services) increased at a 3% annual rate in Q1. With two more months to go, it looks like real consumer spending is growing at about a 2.5% rate in Q2. Mixing this data with today’s report on inventories suggests later this month Q1 real GDP will show a downward revision to a growth rate of 1.8%. The original report for Q1 had a growth rate of 2.2%, but, since then, inventories have been revised downward. Although these negative revisions will probably grab some headlines, it’s important to remember that lower inventories today mean faster production growth in future quarters. In other news this morning, the NAHB Homebuilders index, a measure of confidence, increased to 29 in May from 24 in April. Confidence among homebuilders is now the highest in five years, another sign that the recovery in housing is gaining traction.



| <b>Retail Sales</b><br><i>All Data Seasonally Adjusted</i> | <b>Apr-12</b> | <b>Mar-12</b> | <b>Feb-12</b> | <b>3-mo % Ch.</b><br><i>annualized</i> | <b>6-mo % Ch.</b><br><i>annualized</i> | <b>Yr to Yr</b><br><i>% Change</i> |
|--|---------------|---------------|---------------|--|--|------------------------------------|
| <b>Retail Sales and Food Services</b>                      | 0.1%          | 0.7%          | 1.0%          | 7.7%                                   | 6.2%                                   | 6.4%                               |
| <b>Ex Autos</b>  | 0.1%          | 0.8%          | 1.0%          | 7.6%                                   | 6.0%                                   | 5.9%                               |
| <b>Ex Autos and Building Materials</b>                     | 0.3%          | 0.6%          | 1.0%          | 7.8%                                   | 5.7%                                   | 5.6%                               |
| <b>Ex Autos, Building Materials and Gasoline</b>           | 0.4%          | 0.5%          | 0.6%          | 6.2%                                   | 5.1%                                   | 5.6%                               |
| <b>Autos</b>   | 0.5%          | 0.2%          | 1.3%          | 8.2%                                   | 7.0%                                   | 8.4%                               |
| <b>Building Materials</b>                                  | -1.8%         | 2.7%          | 0.0%          | 3.4%                                   | 9.1%                                   | 10.3%                              |
| <b>Gasoline</b>  | -0.3%         | 1.0%          | 3.3%          | 17.2%                                  | 9.1%                                   | 5.5%                               |

Source: Bureau of Census