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April Retail Sales

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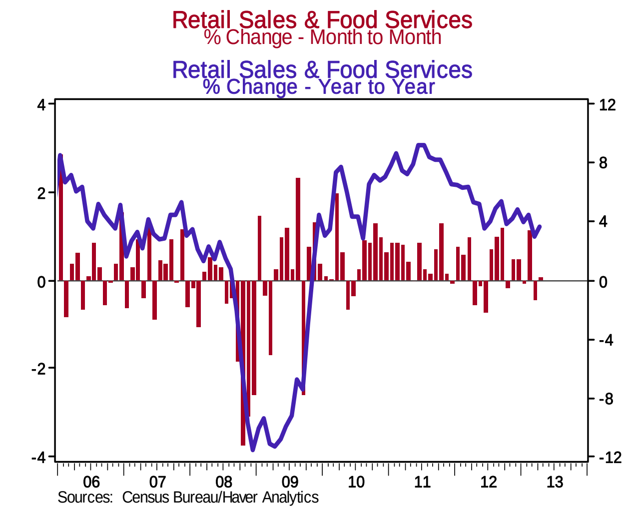
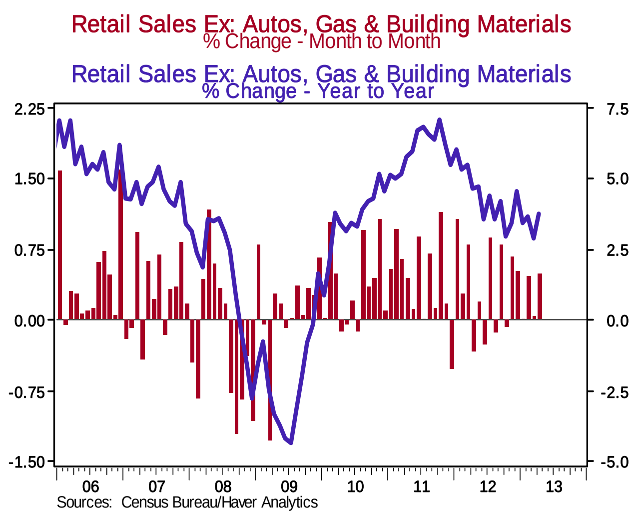
- Retail sales increased 0.1% in April (+0.2% including revisions to prior months), coming in well above the consensus expected decline of 0.3%. Sales are up 3.7% versus a year ago.
- Sales excluding autos declined 0.1% in April (unchanged with revisions to prior months), coming in above consensus expectations of -0.2%. Sales ex-autos are up 2.8% in the past year.
- The increase in sales in April was led by autos, non-store retailers (mail-order and internet), and general merchandise stores (department stores). The largest decline, by far, was for gas stations, a result of lower gas prices.
- Sales excluding autos, building materials, and gas rose 0.5% in April and were up 0.9% including revisions to prior months. Even if unchanged in May/June, these sales will be up at a 2.8% annual rate in Q2 versus the Q1 average.





Implications: Despite a large drop in gasoline prices, which tends to drag down spending, retail sales beat consensus expectations in April and were revised up for prior months. Excluding gas stations, sales were up 0.7% in April. "Core" sales, which exclude autos, building materials, and gas, rose 0.5% in April and 0.9% including upward revisions to prior months. These revisions, along with recent data on trade, construction, and inventories, suggest Q1 GDP grew at a 2.6% annual rate instead of the 2.5% originally reported. Along with an increase in auto sales in April, consumers spent more at department stores, over the internet and through mail-order. Despite the end of the payroll tax cut, retail sales are up at a 2.1% annual rate so far this year, while core sales are up at a 3.2% rate. This growth is nothing to write home about (it's still Plow Horse growth), but much better than many analysts were projecting at the beginning of the year. For the rest of 2013, we still expect two major themes to play out for the consumer: first, an acceleration in consumer spending growth despite higher taxes; second, a transition away from growth in auto sales and toward other areas, like furniture, appliances, and building materials. Consumer spending should accelerate because of continued growth in jobs, hours, and wages. In addition, households have continued to cut debt levels, while interest rates remain low. Households in the US have the lowest financial obligations ratio since 1981. All this means that a recession remains highly unlikely. The Plow Horse is alive and well.

Retail Sales *All Data Seasonally Adjusted*	Apr-13	Mar-13	Feb-13	3-mo % Ch. *annualized*	6-mo % Ch. *annualized*	Yr to Yr *% Change*
Retail Sales and Food Services	**0.1%**	-0.5%	1.1%	3.1%	3.4%	3.7%
Ex Autos	**-0.1%**	-0.4%	1.1%	2.2%	1.9%	2.8%
Ex Autos and Building Materials	**-0.2%**	-0.4%	1.2%	2.0%	1.3%	2.5%
Ex Autos, Building Materials and Gasoline	**0.5%**	0.1%	0.5%	4.2%	4.6%	3.7%
Autos	**1.0%**	-0.6%	1.4%	7.4%	10.5%	7.7%
Building Materials	**1.5%**	-1.0%	0.4%	3.4%	7.4%	4.1%
Gasoline	**-4.7%**	-3.2%	5.3%	-11.0%	-16.2%	-4.6%

Source: Bureau of Census