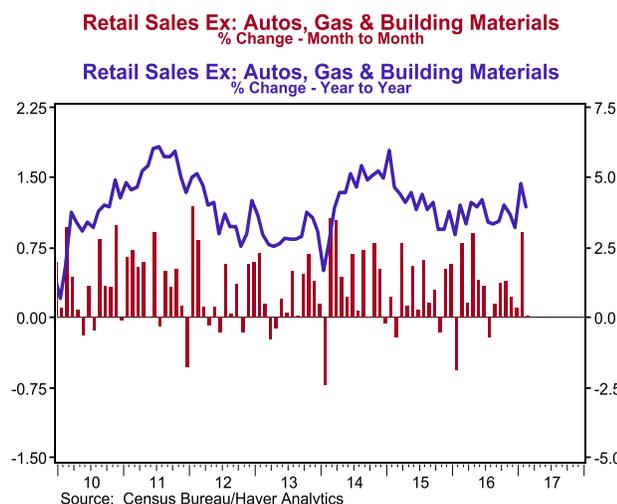
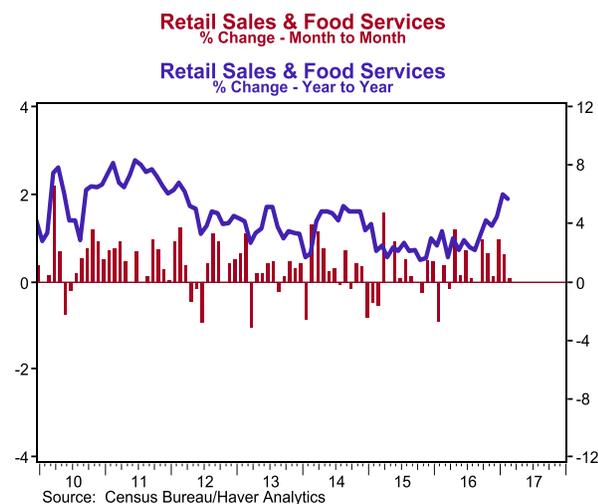


February Retail Sales

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Economist

- Retail sales rose 0.1% in February (+0.4% including revisions to prior months). The consensus expected a 0.1% gain. Retail sales are up 5.7% versus a year ago.
- Sales excluding autos rose 0.2% in February (+0.6% including revisions to prior months), better than the consensus expected 0.1%. These sales are up 5.7% in the past year. Excluding autos and gas, sales rose 0.2% in February and are up 4.4% from a year ago.
- The increase in sales in February was led by nonstore retailers (internet and mail orders) and building materials. The largest decline was for gas stations.
- Sales excluding autos, building materials, and gas were unchanged in February, but were up 0.4% including revisions to prior months. If unchanged in March, these sales will be up at a 4.5% annual rate in Q1 versus the Q4 average.

Implications: There should be no doubt the Fed is going to raise rates today. Retail sales rose 0.1%, matching consensus expectations. But, including revisions to January, sales rose a healthy 0.4%. Overall retail sales are now up 5.7% in the past year, and we expect that trend to stick. Sales are up at a 7.2% annual rate in the past six months and a 7.0% rate in the past three months. Although the gain in sales in February was not very broad-based – only four of thirteen major categories showed growth – it came despite a delay in tax refunds this year as the IRS puts more effort into checking for fraud related to the earned-income tax credit (EITC) and additional child tax credit (ACTC). As a result, expect stronger numbers in the months ahead as these delayed tax refunds come in. “Core” sales, which exclude autos, building materials, and gas, were unchanged in February, but were up 0.4% including revisions to prior months. Core sales are now up 3.9% from a year ago, but appear to be accelerating, with the three-month annualized change rising at a 4.4% rate. Job growth continues, nominal wage gains are accelerating, and consumer debt service obligations are very low by historical standards. In other news this morning, the Empire State index, a measure of manufacturing sentiment in New York, declined to +16.4 in March from +18.7 in February. Besides last month, 16.4 is the best reading since 2014, signaling continued improvement in the factory sector.



Retail Sales <i>All Data Seasonally Adjusted</i>	Feb-17	Jan-17	Dec-16	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.1%	0.6%	1.0%	7.0%	7.2%	5.7%
Ex Autos	0.2%	1.2%	0.4%	7.2%	7.0%	5.7%
Ex Autos and Building Materials	0.0%	1.1%	0.4%	5.8%	6.0%	5.4%
Ex Autos, Building Materials and Gasoline	0.0%	0.9%	0.1%	4.4%	4.2%	3.9%
Autos	-0.2%	-1.3%	3.1%	6.1%	8.1%	5.6%
Building Materials	1.8%	1.2%	2.2%	23.0%	16.8%	7.3%
Gasoline	-0.6%	2.1%	3.0%	19.4%	23.7%	19.6%

Source: Bureau of Census