

May Retail Sales

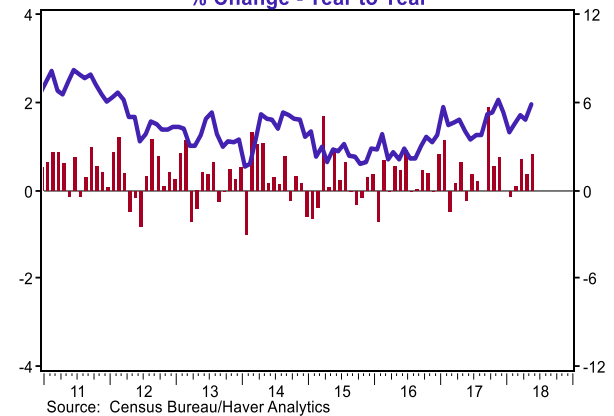
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- Retail sales rose 0.8% in May (+1.0% including revisions to prior months), easily beating the consensus expected 0.4% gain. Retail sales are up 5.9% versus a year ago.
- Sales excluding autos increased 0.9% in May (+1.1% including revisions to prior months). The consensus expected a 0.5% gain. These sales are up 6.4% in the past year. Excluding gas, sales were up 0.7% in May and are up 4.9% from a year ago.
- The gain in sales in May was led by gas stations, restaurants & bars, building materials, and general merchandise stores. The largest decline was for furniture.
- Sales excluding autos, building materials, and gas rose 0.6% in May (+0.8% including revisions to prior months). If unchanged in June, these sales will be up at a 5.7% annual rate in Q2 versus the Q1 average.

Implications: Consumers are feeling great. Retail sales surged 0.8% in May, beating the most optimistic forecasts, and representing the largest gain in seven months. The gains in May were broad-based, with 10 of the 13 major categories moving higher, led by gas stations, restaurants & bars, building materials, as well as general merchandise stores (like department stores). And the past two months were revised up, as well. As a result, retail sales are up a strong 5.9% from a year ago, and up an even stronger 6.4% excluding auto sales. While we saw modest consumer spending growth last quarter - rising just 1.0% annualized in Q1 - that had more to do with the timing of growth than the trend. And today's report shows the pace of consumer spending is accelerating, supporting our projection of 4.5% real GDP growth in the second quarter. Given deregulation and tax cuts, we expect an average real growth rate of 3%+ in 2018 and 2019, a pace we haven't seen since 2005. Expect overall retail sales to continue the trend higher in the months to come. Jobs and wages are moving up, tax cuts have taken effect, consumer balance sheets look healthy, and serious (90+ day) debt delinquencies are down substantially from post-recession highs. Put it all together, and the outlook for the consumer looks bright. In other news this morning, new claims for jobless benefits fell 4,000 last week to 218,000. Meanwhile continuing claims declined 49,000 to 1.70 million, the lowest reading since late 1973, back when the labor force was roughly half the size that it is today. On the inflation front, both import and export prices rose 0.6% in May. Import prices were led higher by a 4.9% jump in prices for fuels, while agricultural exports, particularly wheat, corn, and soybeans, led export prices higher. In the past year, import prices are up 4.3%, while export prices have increased 4.9%, reinforcing other recent data showing a rising trend in inflation.

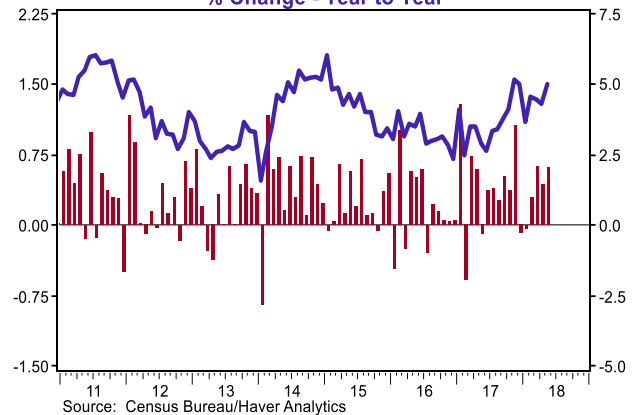
Retail Sales & Food Services
% Change - Month to Month

Retail Sales & Food Services
% Change - Year to Year



Retail Sales Ex: Autos, Gas & Building Materials
% Change - Month to Month

Retail Sales Ex: Autos, Gas & Building Materials
% Change - Year to Year



Retail Sales <i>All Data Seasonally Adjusted</i>	May-18	Apr-18	Mar-18	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.8%	0.4%	0.7%	7.9%	3.8%	5.9%
Ex Autos	0.9%	0.4%	0.4%	7.1%	4.5%	6.4%
Ex Autos and Building Materials	0.8%	0.5%	0.6%	7.6%	4.7%	6.4%
Ex Autos, Building Materials and Gasoline	0.6%	0.4%	0.6%	7.0%	3.8%	5.0%
Autos	0.5%	0.2%	1.9%	11.2%	1.2%	4.0%
Building Materials	2.4%	-0.8%	-1.2%	1.3%	1.7%	5.2%
Gasoline	2.0%	1.0%	0.0%	12.7%	11.6%	17.7%

Source: Bureau of Census