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April Retail Sales

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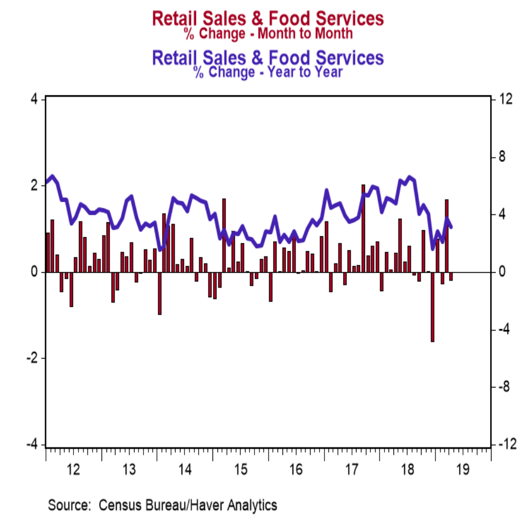
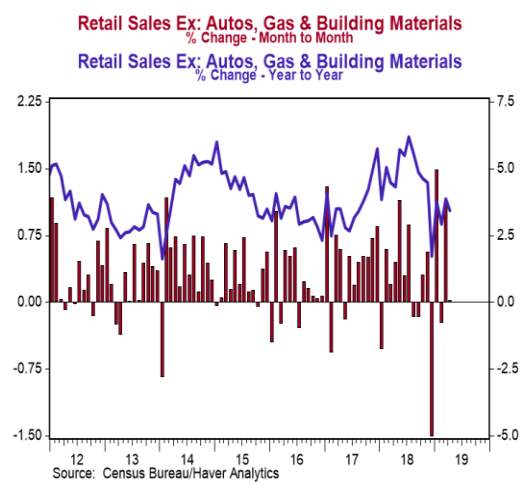
- Retail sales declined 0.2% in April, (-0.1% including revisions to prior months), lagging the consensus expected gain of 0.2%. Retail sales are up 3.1% versus a year ago.
- Sales excluding autos rose 0.1% in April, well below the consensus expected 0.7% gain. These sales are up 3.3% in the past year. Excluding gas, sales fell 0.4% in April but are up 3.0% from a year ago.
- The decline in sales in April was led by autos and building materials. The largest gain was at gasoline stations.
- Sales excluding autos, building materials, and gas were unchanged in April (+0.1% including revisions to prior months). If unchanged in May/June, these sales will be up at a 2.8% annual rate in Q2 versus the Q1 average.





Implications: Retail sales sagged slightly in April after the largest monthly gain in more than a year in March. Retail sales declined 0.2% in April, falling short of the consensus expected 0.2% gain. Some may worry this means the consumer is weakening, but one month does not make a trend. In fact, putting together the last few months, we are seeing an acceleration in sales after the Q4 slump last year. In the past three months, retail sales are up at a 4.9% annual rate versus a 3.1% gain in the past year. These numbers are nowhere close to recessionary. In fact, the consumer is doing very well and that should continue. For April itself, six of the thirteen major categories showed a drop in April, led by declines in autos and building materials which fell by 1.1% and 1.9% respectively. Gasoline stations showed the largest dollar gain rising 1.8% as prices at the pump rose in April. "Core" sales, which exclude autos, building materials, and gas stations (the most volatile sectors) were unchanged in April, are up at a 3.6% annual rate over the past three months, and are up 3.4% from a year ago. Even if these sales are completely unchanged in May and June, they'll be up at a 2.8% annual rate in Q2 versus the Q1 average. Given the tailwinds from deregulation and tax cuts, we still expect an average real GDP growth rate of close to 3% in 2019, just like we saw in 2018. 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. Some may point to household debt at a record high as reason to doubt that consumption growth can continue. But household assets are near a record high, as well. Relative to assets, household debt levels are hovering near the lowest in more than 30 years. For these reasons, expect solid gains in retail sales over the coming months. On the inflation front, both import and export prices rose 0.2% in March. In the past year, import prices are down 0.2%, while export prices are up 0.3%. Expect higher year-ago comparisons later in 2019 due to the rebound in energy prices.

Retail Sales *All Data Seasonally Adjusted*	Apr-19	Mar-19	Feb-19	3-mo % Ch. *Annualized*	6-mo % Ch. *annualized*	Yr to Yr *% Change*
Retail Sales and Food Services	**-0.2%**	1.7%	-0.3%	4.9%	0.7%	3.1%
Ex Autos	**0.1%**	1.3%	-0.3%	4.3%	0.5%	3.3%
Ex Autos and Building Materials	**0.0%**	1.4%	0.2%	7.2%	1.1%	3.6%
Ex Autos, Building Materials and Gasoline	**0.0%**	1.1%	-0.2%	3.6%	2.2%	3.4%
Autos	**-1.1%**	3.2%	-0.2%	7.7%	1.4%	2.2%
Building Materials	**-1.9%**	0.8%	-5.1%	-22.5%	-5.8%	1.2%
Gasoline	**1.8%**	3.3%	3.6%	41.0%	-6.8%	4.9%

Source: Bureau of Census