



Economics Group

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Retail Sales Up in April, Revised Higher in March

Although April retail sales were below consensus, the March revision shows a stronger finish for the first quarter and a relatively modest start in the second quarter.

Retail Sales Improve in April

Retail sales increased a less than expected 0.4 percent in April, but March's retail sales were revised up from -0.2 percent to 0.1 percent, which will help to strengthen personal consumption expenditures (PCE) at the end of the first quarter and change the narrative at the beginning of the second quarter. Retail sales excluding automobile sales were also lower than expected, 0.3 percent versus 0.5 percent. However, they were also revised upward from a flat reading in March to a 0.3 percent increase. A very similar situation occurred with retail sales excluding automobile sales and gas, which increased 0.3 percent versus market expectations of a 0.4 percent increase. However, March sales were upped to 0.4 percent growth compared to an original increase of 0.1 percent.

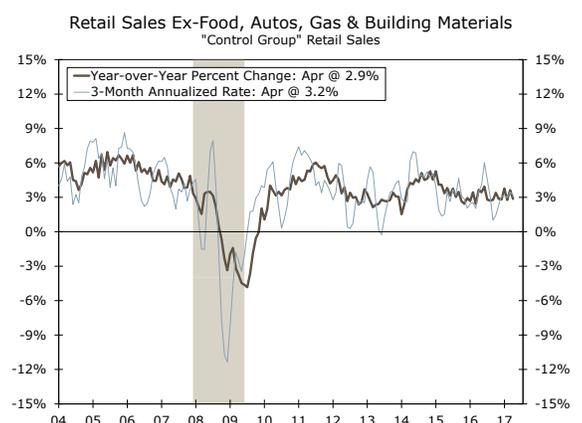
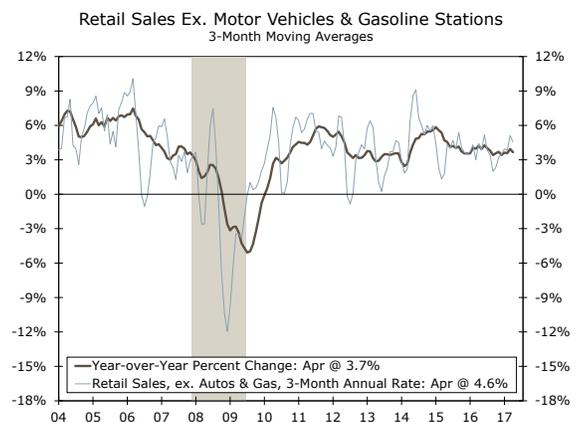
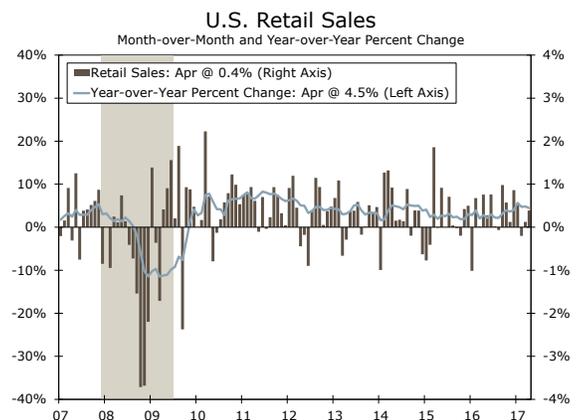
The strongest sector in April was nonstore retailers, where sales increased 1.4 percent followed by sales at electronics and appliances stores, which increased 1.3 percent. Electronics and appliance store sales has been one of the weakest sectors of retail in the past year but has been very strong lately, increasing another 2.2 percent in February. Motor vehicle sales increased 0.7 percent and point to a recovery in automobile sales after a weak first quarter of the year.

On the housing market side of retail sales, the news was mixed, with building material and garden equipment and supplies dealer sales increasing a strong 1.2 percent but not enough to recover from the 1.7 percent decline in March. However, furniture and home furniture store sales were down 0.5 percent, perhaps a payback from a strong 1.5 increase in March.

Another sector that suffered a payback was clothing and clothing accessories store sales, which declined 0.5 percent after a strong 1.9 percent rise in March while general merchandise store sales continued their decline, this time dropping 0.5 percent. A positive development in this sector was a second consecutive increase in department stores sales, up 0.2 percent in April after a 0.1 percent in March. Still, the sector was down 3.7 percent versus April of last year.

Control Group Sales Shows Upward Revision for PCE in Q1

Perhaps the most important data point for this release was the upward revision to all the components of retail sales in March. This is especially true for control group sales, which was upwardly revised to 0.7 percent in March. For April, control group sales were up a less than expected 0.2 percent. That is, the upward revisions to March will help first quarter GDP growth but will likely lower the strength of PCE that we were expecting coming out of the gates in the second quarter of the year.



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