



Economics Group

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Retail Sales: Spring is in the Air

After three consecutive monthly declines, retail sales improved 0.6 percent in March, driven by strong auto sales, health & personal care and nonstore retailers' sales.

Strong Auto Sales Drive Retail Sales Higher

Driven by strong motor vehicle & parts dealers' sales, up 2.0 percent in March, the retail & food services' index increased 0.6 percent after three consecutive monthly declines. The increase of 2.0 percent in motor vehicle & parts dealers' sales came after a decline of 1.3 percent in February. Retail sales excluding autos increased 0.2 percent during the month, while sales excluding autos and gas were up 0.3 percent.

The second strongest sector in March was health & personal care stores' sales, increasing 1.4 percent in the month, while nonstore retailers' sales jumped 0.8 percent. Furniture & home furnishings stores' sales were also strong, up 0.7 percent, while electronics & appliance stores' sales were up 0.5 percent. On the service side of the retail report, food services & drinking places' sales were up 0.4 percent. The weakest sectors were sporting goods, hobby, book & music stores' sales, whose index plunged 1.8 percent in the month, while building material & garden equipment & supplies dealers' sales declined 0.6 percent.

Although general merchandise stores' sales increased 0.3 percent in the month, department stores' sales declined 0.3 percent, continuing to show the troubles affecting that sector of retail. A similar decline was recorded for miscellaneous store retailers' sales. Gasoline stations' sales, on the other hand, declined 0.3 percent, while clothing & clothing accessories stores' sales were down 0.8 percent.

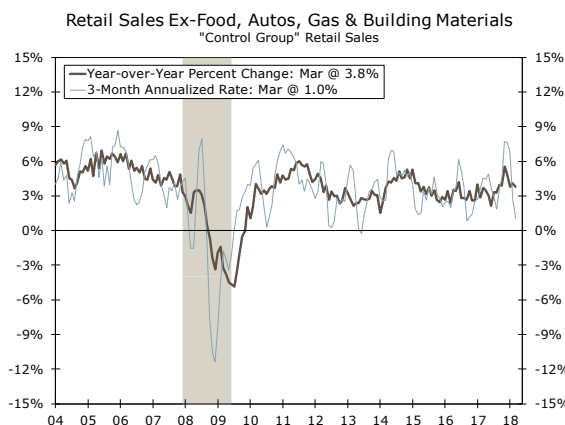
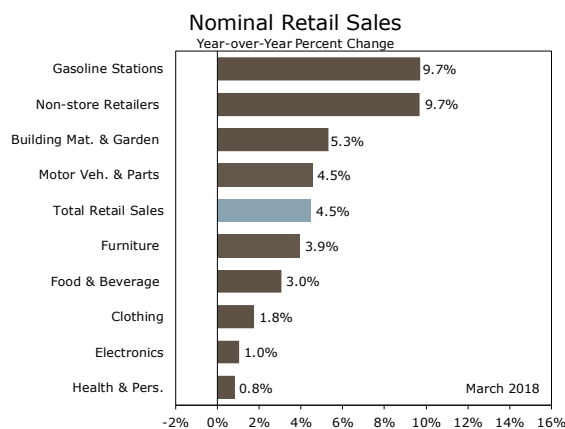
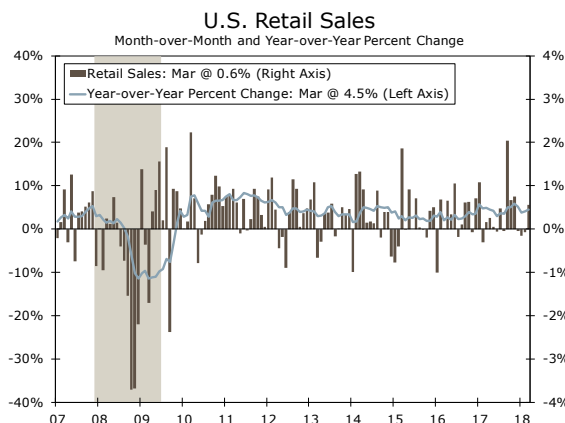
This report was better than expected, as markets were probably looking at a larger impact from several weather related events that affected the northeast region during the month.

Strong Control Group Sales Point to a Recovery in Consumption

The overall March retail sales report was relatively mixed, with very strong sectors as well as very weak sectors. However, the control group retail index, which goes into the calculation of GDP, was relatively strong, up 0.4 percent, registering the first positive reading since November of last year when it rose a strong 1.2 percent.

Although we still expect a relatively weak consumer during the first quarter of the year, the better-than-expected retail sales report today plus the relatively strong control group sales number will keep first quarter consumption from being a complete disappointment after such a strong quarter at the end of last year.

Furthermore, the fact that food services & drinking places sales were also relatively strong could point to stronger growth in the consumption of services during the first quarter of the year, which will help consumption expenditures from the service side, even as goods consumption will come in very weak during the first quarter of the year. Thus, this report was relatively strong and will likely help revert some of the weakness we saw during the first two months of the year.



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