

# Economics Group

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## March Retail Sales Surge Means Only Slight Slowing in Q1 PCE

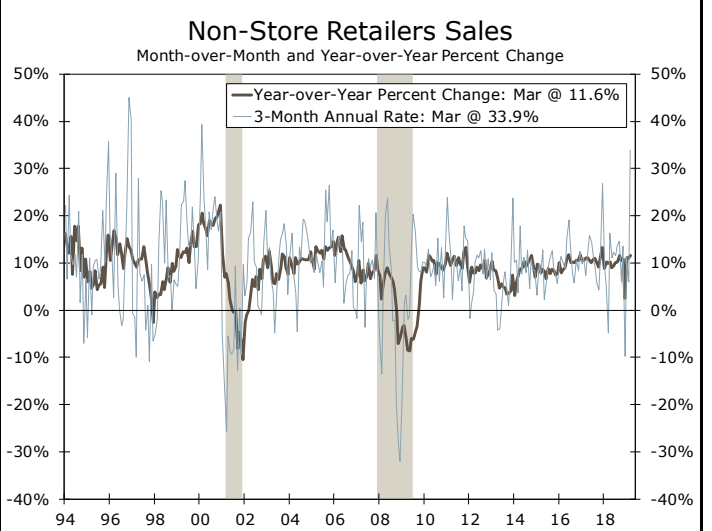
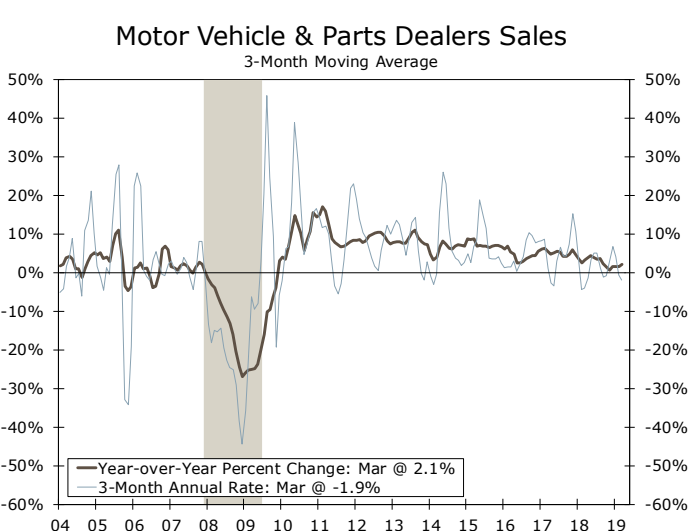
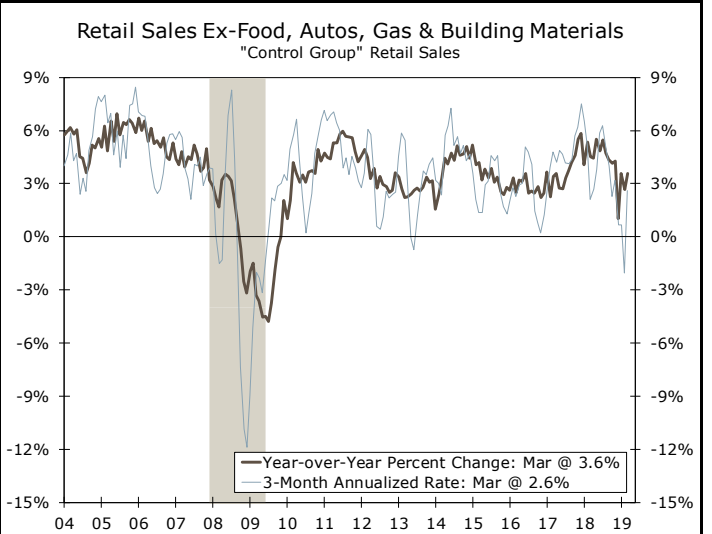
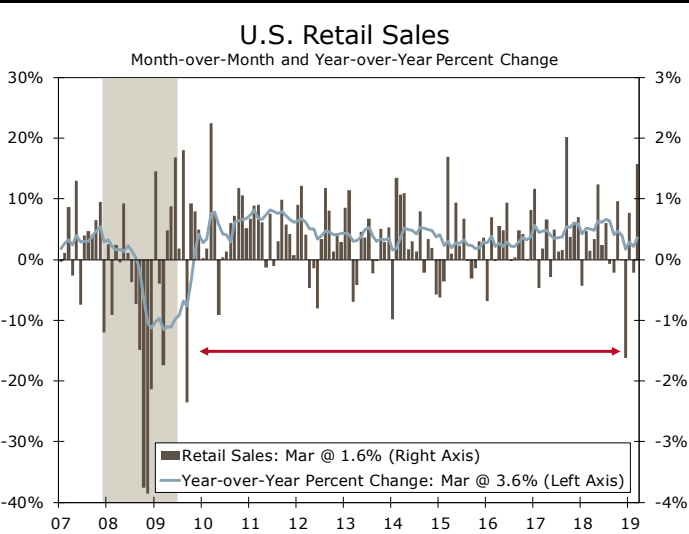
**A 1.6% increase in March retail sales and a 1.0% pick-up in the control group offers evidence that the U.S. consumer has not gone into hiding despite some soft readings in earlier data.**

### Rumors of Consumer's Demise Were Exaggerated

- Despite a run of ugly data in recent reports about the consumer, we have maintained the weakness was a soft patch and not the start of a broad retrenchment. (See: [Wrong December and There's Reason to Believe](#)). Retail sales grew 1.6% in March with gains in every category save sporting goods. Motor vehicles, which have been spotty recently, increased 3.1% in March. That was the largest gain after gas stations, which rose with prices.

### Still a Q1 Slowdown, But Not as Bad as Feared

- After rising at a 2.5% pace in Q4, consumer spending is poised for a slowdown in the first quarter. However, the better-than-expected 1.0% increase in control group sales in today's report feeds into the calculation in the GDP report and suggests a more modest slowing than anticipated by many forecasters.
- Online retailers saw declines in two out of three months in the fourth quarter, but have now seen three straight monthly gains.



Source: U.S. Department of Commerce and Wells Fargo Securities

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