



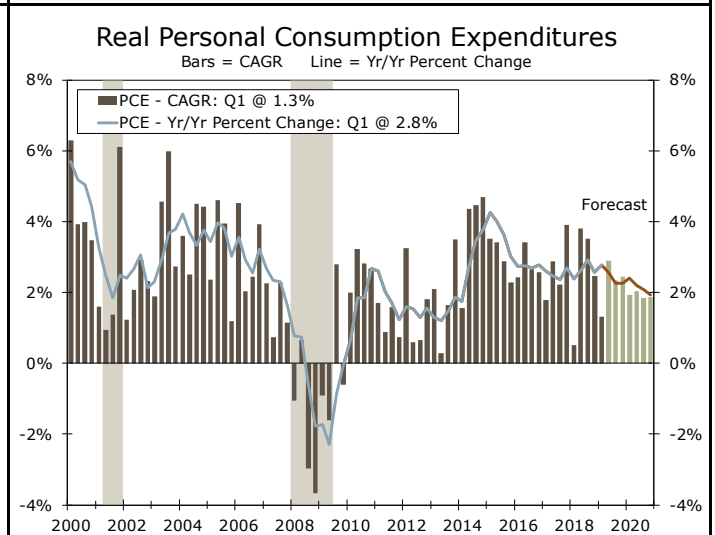
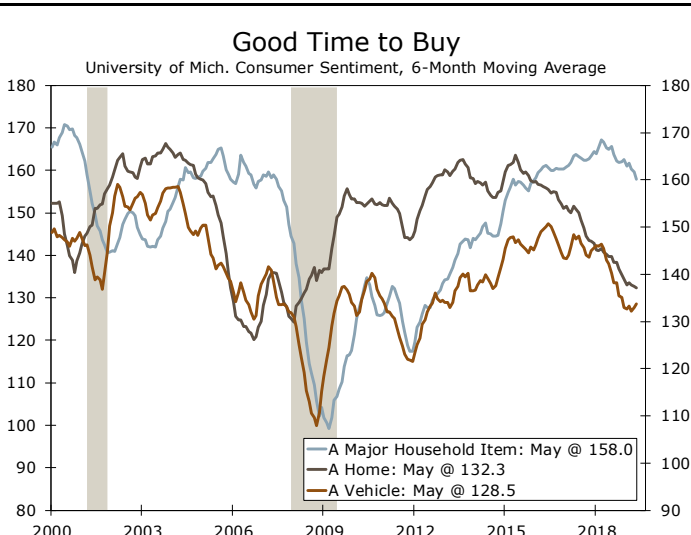
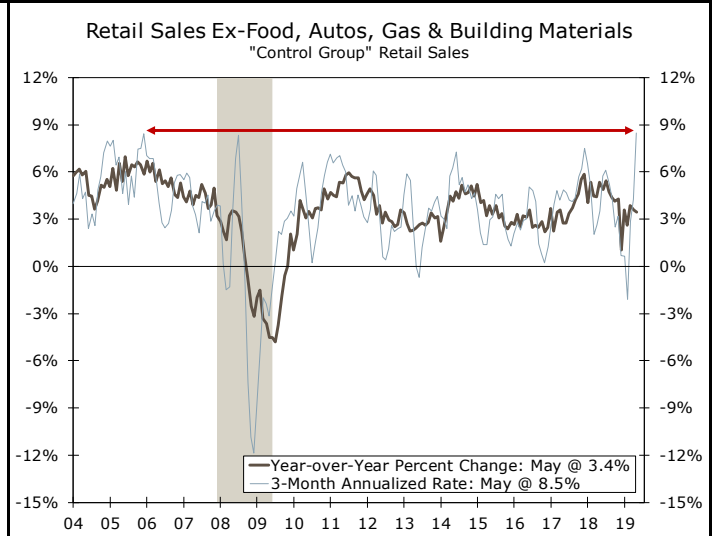
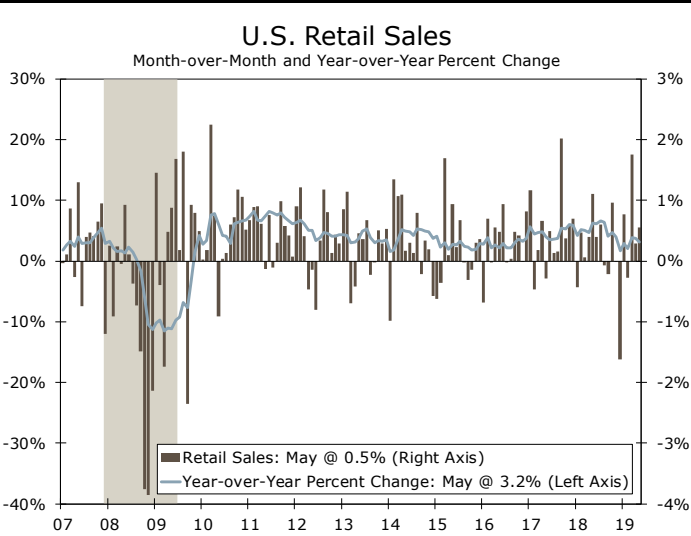
# Economics Group

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## Solid May Retail Sales Suggest Upside for Q2 Consumption

*Retail sales rose 0.5% in May. Upward revisions to prior months' data, and a standout gain in control group sales, not only make this a solid report but also suggest consumer spending is on pace to have a solid Q2 gain.*

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| <p><b>Digging Into the Details</b></p> <ul style="list-style-type: none"> <li>The gain in May sales was broad-based, with 11 of the 13 business categories seeing sales advance over the month. Only grocery stores and miscellaneous retailers sales retracted.</li> <li>As expected, motor vehicle and parts dealers helped lift the headline with a 0.7% rise in sales. This is consistent with May's gain in vehicle sales to dealers, seen in a previous release, and with the renewed gain in consumers' desire to buy a vehicle.</li> </ul> | <p><b>Upside to Second Quarter Growth</b></p> <ul style="list-style-type: none"> <li>Excluding volatile components such as food, gas, autos and building materials, control group sales—a good proxy for consumer spending—rose 8.5% on a three-month annualized rate. This is the fastest pace since 2006. The stronger-than-expected gain and upward revision to April suggests some upside risk to our 2.9% call for Q2 consumption growth. After a volatile few months, consumption looks back on track.</li> </ul> |
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Source: University of Michigan, U.S. Department of Commerce and Wells Fargo Securities

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