

Retail Sales: Tax Rebates Starting to Work in May

Retail sales rose 1.0 percent in May, well above expectations. Excluding motor vehicles and gas stations, sales rose 1.0 percent with an upward revision to April. There were broad based gains indicating tax rebate checks are beginning to work.

Tax Rebates Show Immediate Impact

- Broad based gains in retail sales seem to indicate consumers have thrown caution to the wind and are putting tax rebates to work. Not surprisingly, food and gasoline station sales surged 8.0 and 15.3 percent year-over-year, respectively.
- Tax rebates should continue to help lift real consumer spending to around a 3.6 percent annualized pace in the third quarter.

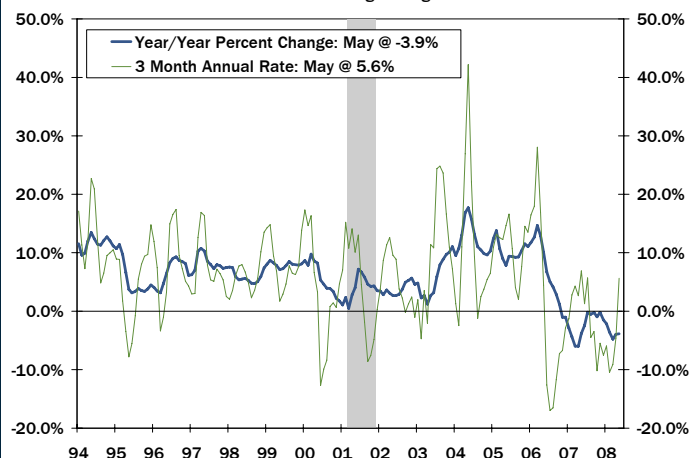
Surprise, Surprise, Surprise

- Building materials increased for the second straight month and motor vehicle sales also rose reversing their downward trend. Consumers are more than likely taking advantage of discounts and incentives. Gains were also seen in other discretionary items like electronics, clothing and furniture which consumers tend to abandon during economic uncertainty.

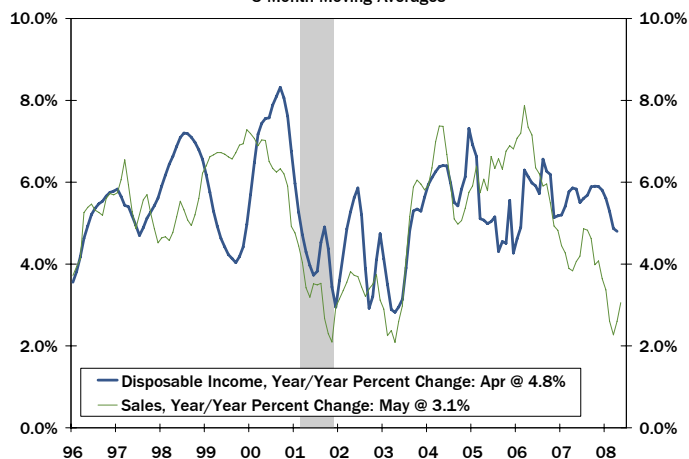
Retail Sales Ex-Motor Vehicles & Gasoline Stations
3 Month Moving Averages



Building Material, Garden Equipment & Supply Stores
3 Month Moving Averages



Retail Sales Ex. Auto & Gas vs. Disposable Income
3 Month Moving Averages



Motor Vehicle and Parts Dealers
3 Month Moving Averages

