



## Economics Group

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# Retail Sales Gain Despite Slip in Auto Sales

**Retail sales increased for the ninth straight month. A 1.7 percent decline in auto sales was offset by a jump at gas stations where higher fuel prices boosted sales.**

### Taken as a Whole, This Is a Strong Report

The increase in March retail sales was a tenth of a percent shy of consensus estimates, though the increase in February was revised a tenth of a percent higher, meaning that the headline number was essentially in line with expectations. Stripping away auto sales, the story gets better. The 0.8 percent gain in March was higher than consensus estimates and the previously reported gain of 0.7 percent in February was revised to a larger 1.1 percent increase.

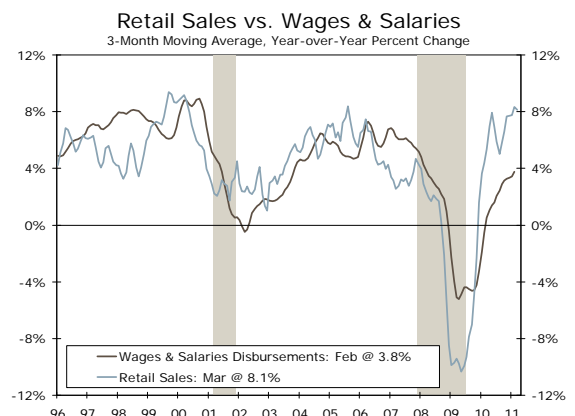
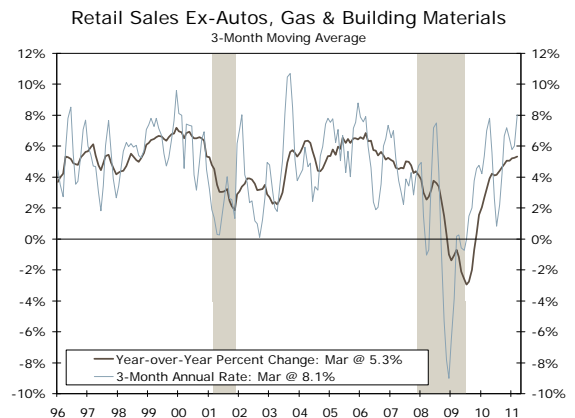
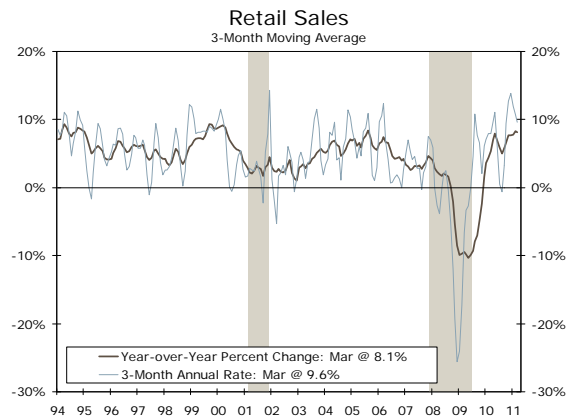
### Auto Sales Disappoint in a Key Month

Sales at motor vehicle and parts dealers is the largest category for retail sales, comprising 17.6 percent of all consumer purchases in March. So the 1.7 percent decline here was enough to swamp the gains from gas stations in terms of total contribution to the headline number. Additionally, this is a big month for vehicle sales. On a not-seasonally adjusted basis, March has been the number one month for auto sales every year since 2001 when the “Keep America Rolling” tax incentives pushed the peak month to October that year. Going into today’s report we already knew that sales from manufacturers to dealers slipped in March. This report captures sales at dealers and while the two measures do not always line up perfectly, the dip in manufacturers’ sales telegraphed potentially slower traffic on dealer lots. It is not completely clear how much of the slowdown in auto sales can be attributed to waning demand as opposed to supply disruptions due to the Tōhoku earthquake. But it appears as though auto dealers are doing a decent job of gauging demand and managing inventories accordingly.

### So Are High Gas Prices Holding Back Spending in Other Areas?

Higher gasoline prices are clearly having an influence on how consumers are allocating their spending dollars. A gallon of regular unleaded gasoline (at \$3.54 on average across the country in March) was up more than 75 cents from March last year when gas was only \$2.78. The largest contribution to growth in March was the 2.6 percent increase in sales at gas stations. Still, when you look at retail sales less autos and gas, we see a stronger-than-expected gain of 0.6 percent in March on the heels of an upwardly-revised gain of 0.9 percent in February.

Aside from the big swing in sales at auto dealers and at gas stations, sales were broadly positive. These gains suggest that while consumers may suffer from sticker shock at the gas pump they are still spending in other places. While consumers may be dipping into savings to make these purchases, wages and salaries have been improving on trend, suggesting consumers may be spending more because they are making more. The biggest monthly increase was at furniture stores, where sales increased 3.6 percent. Electronics stores, clothing stores and building materials also posted gains.



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