



# Economic Flash!

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## US April Retail Sales See Healthy but Unremarkable Advance

Summary of the US retail sales report for April from the Commerce Department

	Apr	Mar	Feb	Jan 2018	Dec 2017	Apr YoYSA	Apr YoYNSA
Retail & food serv	0.3%	0.8%	0.0%	-0.2%	-0.1%	4.7%	3.8%
Ex-autos	0.3%	0.4%	0.4%	0.1%	0.0%	4.8%	3.9%
Ex-autos & gas	0.3%	0.4%	0.3%	-0.2%	0.0%	4.0%	2.9%
Ex-bld mat, auto dlrs, gas	0.3%	0.6%	0.2%	-0.1%	-0.1%	3.9%	2.6%
Ex-food serv & veh	0.5%	0.5%	0.3%	0.2%	0.0%	5.0%	4.0%

  

	Apr	Mar	Feb	Jan 2018	Dec 2017	Nov 2017	Apr YoYNSA
Motor veh parts	0.1%	2.1%	-1.2%	-0.9%	-0.2%	-1.0%	3.6%
Furniture	0.8%	1.4%	0.4%	-0.3%	-1.2%	0.5%	5.8%
Electronics	-0.1%	0.7%	0.3%	0.9%	-1.7%	1.2%	2.2%
Building materials	0.4%	-1.0%	1.5%	-1.8%	1.0%	0.0%	5.6%
Food, beverages	0.4%	0.2%	0.3%	-0.1%	0.3%	0.3%	-0.1%
Health, pers care	-0.4%	1.1%	-0.9%	-0.3%	-1.1%	-0.1%	0.2%
Gasoline stations	0.8%	0.3%	0.5%	2.0%	0.1%	3.4%	11.9%
Clothing	1.4%	-0.2%	0.5%	1.0%	-1.1%	0.6%	-0.4%
Sporting goods	-0.1%	-0.1%	3.6%	-1.1%	-3.3%	-0.6%	-3.8%
General merchandise	0.3%	0.4%	-0.4%	0.2%	-0.3%	0.5%	-0.8%
Department stores	0.2%	-0.3%	-1.0%	0.6%	-1.3%	0.4%	-5.0%
Miscellaneous	0.9%	-1.1%	-2.0%	2.8%	-1.5%	3.9%	4.5%
Non-store retailers	0.6%	0.9%	1.0%	-0.9%	0.5%	3.9%	12.2%
Eating, drinking	-0.3%	1.2%	0.4%	0.0%	0.8%	0.4%	3.1%

Source: Bloomberg

- Retail trade cooled in April from a red-hot prior month but remains constructive for a pickup in growth this quarter. Coupled with upward revisions to March and February, this report reinforces the integral role of the consumer as a growth engine, something that will be helped by the lagged effects of tax cuts on household spending. A tightening labor market also provides ample ammunition for consumption, supporting our forecast for an acceleration in growth in Q2.
- Headline retail sales rose 0.3% in April, matching expectations. After last month's outsized gain, which was revised up two ticks to 0.8%, and an upward revision to February's figures (now flat vs. -0.1% previously), that's a respectable pace of growth.
- Excluding autos, retail sales rose by 0.3%, underperforming relative to the consensus (0.5%). That owed largely to a disappointment in gasoline sales (0.8%) despite a run up in prices supporting

nominal receipts. Last month's bump in auto spending dissipated in April, and vehicle purchases should continue to be held back by rising interest rates weighing on affordability.

- The core group (ex. gasoline, autos, building materials and restaurants) saw sales advance by a healthy but unremarkable 0.4%, matching consensus but decelerating slightly from the previous month (0.5%). That was helped by clothing sales (1.4%) which posted a stellar performance after a string of disappointments, proving that poor weather had less of an impact on sales than anticipated.
- With the typical first quarter slowdown now in the rearview mirror, retail sales have returned to a more robust 3-month annualized pace of growth which rose to 2.1%, and is likely to accelerate further in the months ahead.
- Personal healthcare (-0.4%) and eating and drinking (-0.3%) in particular weighed on the headline but both of those figures appear to be mean reversion after strong March prints. Non-store retailing, a gauge of online sales, outpaced the headline for the third consecutive month, coming in at 0.6%.

## Implications & Actions

**Re: Economic Forecast** — A solid core retailing print supports our forecast for an acceleration in consumption this quarter. The lagged effects of tax cuts will begin to feed through to consumption over the remainder of the year while a tightening labor market will also act as a catalyst to household spending. We expect the recent run up in gasoline prices to offset no more than one third of the positive impact of tax cuts on disposable incomes. Overall, Q2 is off to a good start and we expect growth to accelerate to 2.8% this quarter.

**Re: Market** — The US\$ was already up on the day and this report helped further those gains, while boosting yields simultaneously.

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