

Economic Analysis

Retail Sales Jump as Consumers Hit the Stores

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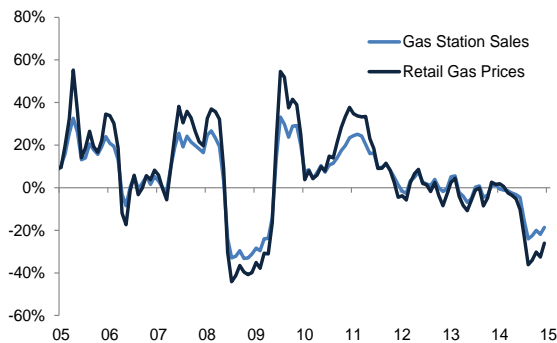
- **Broad-based surge seen in retail sales, rising 1.2% MoM**
- **Warm weather responsible for special strength in auto and department store sales**
- **Steady climb in gas prices led to rise in gas station sales, up 3.7% MoM**

Retail sales came back to life in May, rising 1.2% MoM, as consumers spent more in nearly all categories. Core retail sales, excluding autos and gas, exceeded expectations, rising 1.0% MoM. May's data seem to be the highly anticipated relief after 1Q15 weakness, which actually wasn't as bad as originally indicated. Retail sales were upwardly revised for the previous two months, rising 0.2% MoM in April and 1.5% in March—the strongest monthly gain in five years.

Categories which experienced a significant increase in sales included motor vehicles, department stores, and gasoline. Motor vehicles were a leading component in May, jumping 2.0% MoM, likely due to the onset of summer encouraging more consumers to visit auto showrooms. Warmer weather also drove more consumers to malls and shopping centers, as department store receipts rebounded 0.8% MoM after a steep decline in April. Retail sales at gas stations received a 3.7% boost MoM from higher oil prices, pushing up gas station receipts. The only category which contracted in May was the usually-reliable health and personal care stores component, with a slight decline of 0.3% MoM.

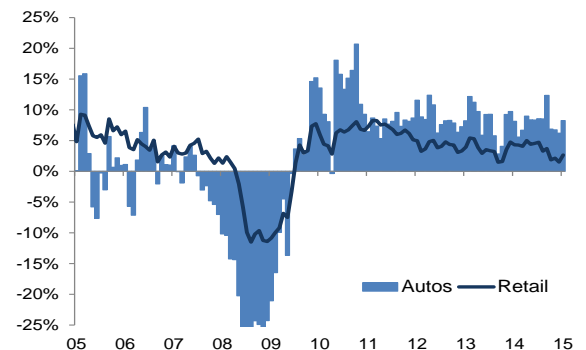
Looking ahead, we maintain our expectations that retail sales and consumption will increase as 2015 progresses. Real personal consumption expenditures (PCE) were slightly down in April, but we expect that May's figure will be stronger given the trends seen in the retail sales report for the month. Payroll increases should also contribute to greater consumption; the most recent data from the Department of Labor showed that unit labor costs and compensation increased QoQ in 1Q15, signaling a tightening labor market. We do not intend to revise upward our GDP forecast for the quarter solely based on this month's report as our forecast had already accounted for a weather-related impact.

Chart 1
Gas Prices and Gas Sales
YoY %



Source: US Census Bureau, EIA

Chart 2
Auto Sales and Retail Sales
YoY %



Source: US Census Bureau

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