

Economic Analysis

# Autos drag down total retail sales in March

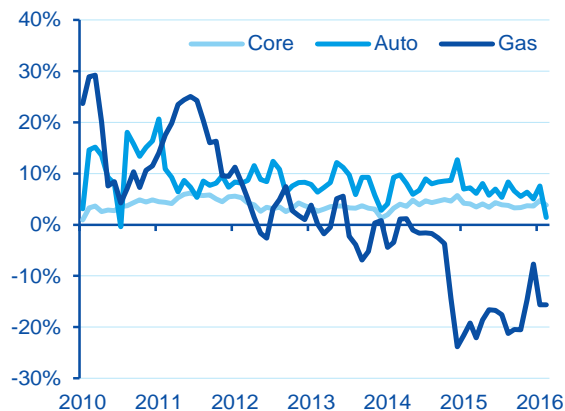
Filip Blazheski

- Retail sales declined 0.3% MoM, while core (ex-auto, ex-gas) sales increased 0.1% MoM
- Declines were limited to autos, clothing, restaurants, and nonstore retailers
- Job gains should help consumer spending improve going forward

The March retail sales report adds to prior indications of slowing consumer demand in the first quarter. Total retail sales for the month declined 0.3%, following an upwardly revised 0.0% MoM February figure. Consensus estimates for March pointed to a 0.1% MoM gain. Much of the decline in the month's headline figure was due to a 2.1% MoM drop in automobile and other motor vehicle dealer sales. The monthly decline in motor vehicle and parts sales was the largest over the last thirteen months. The three other sectors that posted declines in March were clothing and accessory stores (-0.9%), food services and drinking places (-0.8%), and nonstore retailers (-0.1%). The sector that posted the highest gain was building materials, garden equipment and supplies dealers (1.4%). Gasoline station sales increased 0.9%, posting a gain for the first time in nine months as a result of higher oil prices. Retail sales increased a modest 0.2% excluding autos and 0.1% when excluding autos and gas stations (following an upward revision to February, from 0.3% to 0.6% growth).

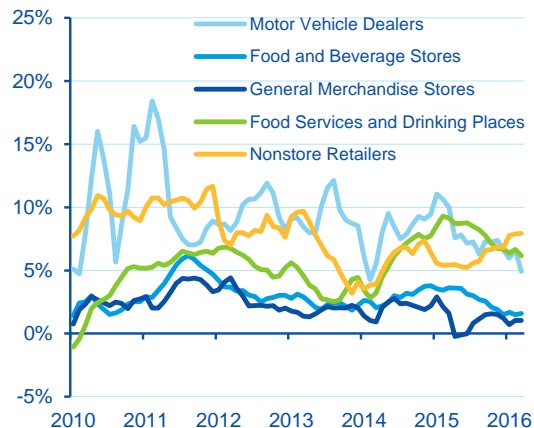
On a YoY basis, retail sales and food services dropped sharply to only 1.7% compared to 3.7% in February (Chart 1). Core sales obviously did better, up 3.8% compared to 4.8% in February (the February gain was the largest since January 2015). Building materials, garden equipment and supply posted the highest YoY increase (10.9%), followed by nonstore retailers (6.5%). The strong gains in building materials and garden equipment are most likely due to the robust performance of the housing market, which we expect to continue throughout the year. It is possible that auto sales will rebound next month, like they did at the beginning of the last two years, supported by still favorable oil prices and gains in employment. That said, we expect a slowdown in the growth of auto sales from 5.4% last year to 3.1% this year (in units).

Chart 1  
Core, Auto and Gas Sales  
YoY % Change



Source: US Census Bureau & BBVA Research

Chart 2  
Retail Sales in Most Important Categories  
YoY % Change 3mma



Source: US Census Bureau & BBVA Research

While retail sales in March were weaker than expected, the silver lining is that core sales performed relatively well. Also, even though there was a decline in food services and drinking places, which shows lower confidence in the economy, it was after a very strong gain in February. A three-month moving average of the YoY change in retail sales at the most important categories (Chart 2) shows that despite some weakening in the first quarter, which will weigh down first quarter GDP, retail sales are still performing well in multiple categories. Ongoing gains in consumer confidence for 2Q16 should be reflected in upcoming retail sales reports.

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