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# **U.S. Data Review**

- Retail sales: several categories boost activity
- Consumer sentiment: surge in May to upper ends of recent and prerecession ranges

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## **Retail Sales**

Retail sales jumped 1.3 percent in April, easily exceeding the expected increase of 0.8 percent. Much of the growth occurred in the auto and gasoline components (up 3.2 percent and 2.2 percent, respectively), and these changes were not especially noteworthy. The increase in the auto component was merely an offset to a drop in the prior month, and the advance in the gasoline component was most likely led by higher prices. However, the report was still favorable, as sales excluding autos and gasoline also were firm, increasing 0.6 percent, the sharpest monthly increase since last summer. The gain ex-autos, ex-gas added an accent to the upward trend.

Several categories contributed to the

### **Retail Sales -- Monthly Percent Change**

	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16
Total	0.4	-0.5	0.3	-0.3	1.3
ExAutos	0.5	-0.4	0.2	0.4	0.8
ExAutos, ExGas	0.6	-0.1	0.7	0.2	0.6
Retail Control*	0.3	0.0	0.6	0.1	0.8
Autos	0.1	-1.1	0.7	-3.2	3.2
Gasoline	-0.4	-3.1	-5.2	3.1	2.2
Clothing	-0.2	0.0	0.6	-0.8	1.0
General Merchandise	0.5	-0.8	-0.3	0.3	0.0
Nonstore**	0.5	1.4	1.1	0.5	2.1
Discretionary***	0.6	-0.7	0.7	-0.1	0.3

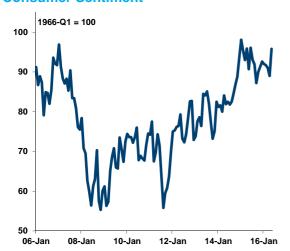
<sup>\*</sup> Retail sales excluding sales from motor vehicle dealers, gasoline stations, and building materials, garden equipment, and supply dealers.

Source: U.S. Census Bureau; Daiwa Capital Markets America

increase ex-autos and ex-gasoline. Activity at clothing stores jumped 1.0 percent, arresting a downward drift in prior months. Sales at furniture stores and electronic stores also registered good gains and suggested that recoveries are developing after slippage in the prior year. Nonstore retailers and the miscellaneous category continued to do well. Sales at building supply stores fell 1.0 percent, but the drop followed strong results in the prior four months and did little damage to the firm underlying trend. The only disappointing aspect of the report was a flat reading at general merchandise stores, which left no net change in the past three months after a downward drift in late 2015 and early 2016.

The so-called retail control, a grouping that correlates well with the consumption component of GDP, jumped 0.8 percent in

#### **Consumer Sentiment**



Source: Reuters/University of Michigan Survey Research Center

April. This advance, along with a pickup in sales of new cars and trucks in April, suggests growth of real consumer spending in the neighborhood of 3.0 percent in the second quarter. The retail control measure also was revised upward in the prior few months, mostly because of the annual benchmark revision to retail sales, which is likely to give a lift to Q1 results.

#### **Consumer Sentiment**

The report on retail sales suggested good economic support from individuals, and so too did the latest reading on consumer sentiment, which jumped 6.8 index points (or 7.6 percent) to 95.8 (index set to equal 100 in 1966-Q1). The early estimate for May did not represent a new high for the current expansion, but it was in the upper end of the recent range. It also was in the upper portion of the prerecession range, although still well shy of levels during the tech boom in the late 1990s and early 2000s.

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<sup>\*\*</sup> Primarily online and catalog sales; also includes sales by fuel-oil dealers.

<sup>\*\*\*</sup> Discretionary items include sales from the following types of stores: furniture and home furnishing; electronics and appliance; clothing and accessory; sporting goods, hobby, book, and music; general merchandise; and food services and drinking places. These stores deal primarily with items whose purchase could be postponed.