

Economic Analysis

Weekly Focus: Retail Sales & Job Openings

Kim Chase

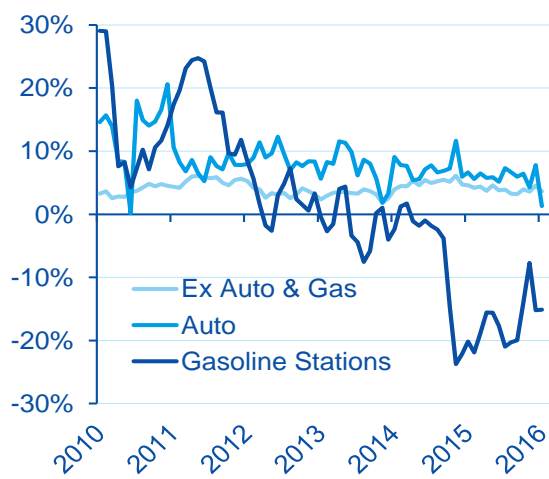
Autos Expected to Drive Rebound in Total Retail Sales for April

There is a lot riding on this week's data when it comes to the health of consumer activity, with the hope that **retail sales for April (Friday)** will make up for the weaker-than-expected performance in 1Q16. So far, there are at least some signs that things are turning around for the better. Unit auto sales increased in April following two consecutive months of decline and almost completely offsetting the drop in March. There is a lot of upward potential for auto sales given that QoQ annualized growth in 1Q16 was the slowest since 2Q11, and in April there was a bias toward light trucks which will help lift nominal sales more so than the smaller autos. The fact that we are seeing a record high average age for existing vehicles on the road suggests ongoing replacement and will continue to support encouraging sales figures in the coming years. However, higher interest rates and rising gas prices could slow down the pace of auto sales growth after 2017. Still, we expect that the short-term impact will be positive for overall retail sales. There should also be some strength to start 2Q16 when it comes to core retail sales (excluding autos and gasoline stations) due to the need for spring season essentials.

Job Openings and Quits Confirm Signs of a Healthy Labor Market

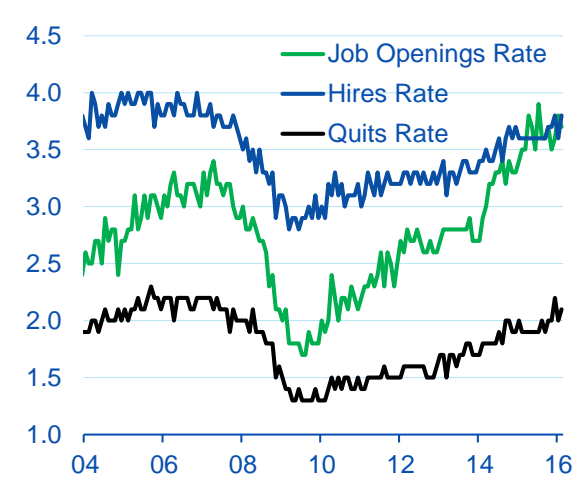
The **Job Openings and Labor Turnover Survey (JOLTS) for March (Tuesday)** is going to be more heavily watched following April's sub-200K nonfarm payroll figure. Although the JOLTS data are lagged an additional month compared to the usual employment report, Janet Yellen and her FOMC colleagues continue to put a lot of stock into the indicator, particularly when it comes to job availability and the quits rate. In general, both have been on a gradual upward trend throughout the past few years, with job openings surpassing the pre-crisis peak back in early 2015. In March, we expect that job openings will rebound from February's brief decline, ultimately boosting the hiring figure as well. The fact we have seen more job movement among employees suggests growing confidence in the labor market and hints at upward wage pressures in the foreseeable future.

Graph 1
Retail Sales (YoY % Change)



Source: Census & BBVA Research

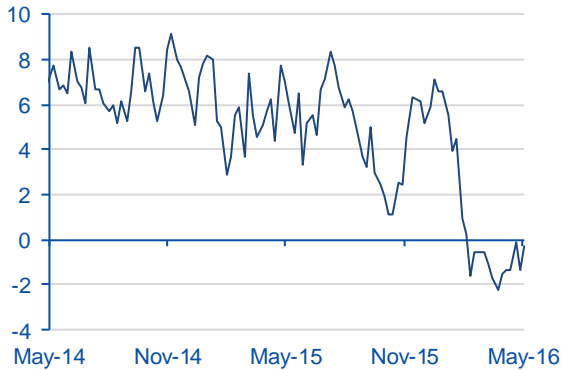
Graph 2
Job Openings, Hires, and Quits Rates (%)



Source: BLS & BBVA Research

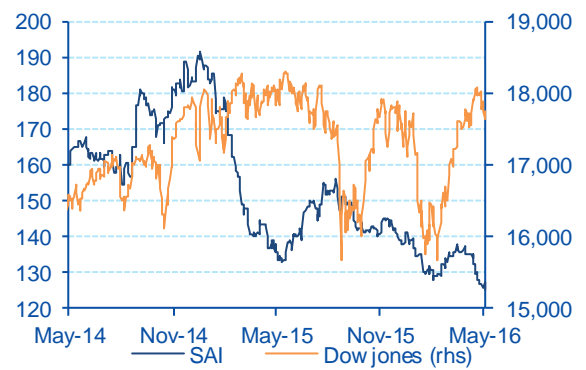
Economic Trends

Graph 3
BBVA USA Weekly Activity Index (3 month % change)



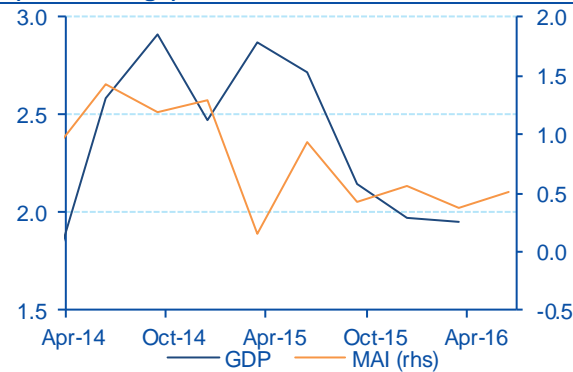
Source: BBVA Research

Graph 4
BBVA USA Surprise Activity Index & Dow Jones (Index 2009=100 & eop)



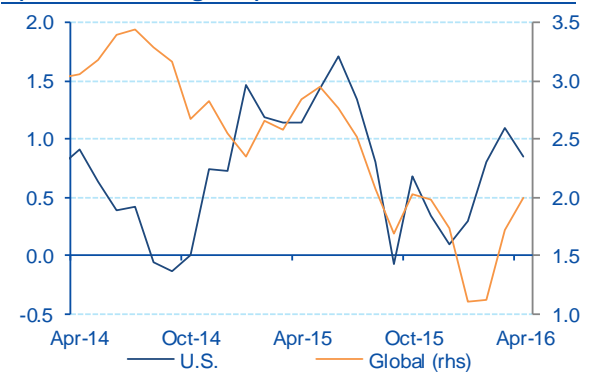
Source: Bloomberg & BBVA Research

Graph 5
BBVA USA Monthly Activity Index & Real GDP (4Q % change)



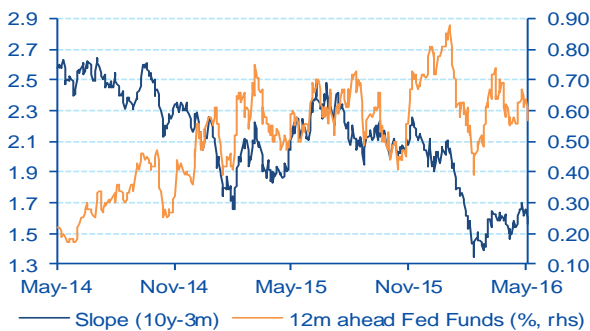
Source: BBVA Research & BEA

Graph 6
BBVA USA Risk Index (> 0 = increasing risk)



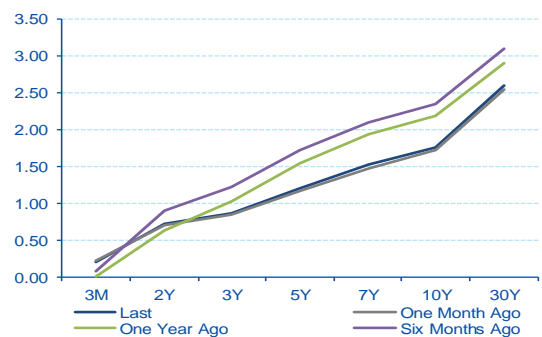
Source: BBVA Research

Graph 7
Fed Futures & Yield Curve Slope (% & 10year-3month)



Source: Haver Analytics & BBVA Research

Graph 8
U.S. Treasury Yield Curve (% p.a.)



Source: Haver Analytics & BBVA Research

Week Ahead Economic Calendar

Date	Event	Period	BBVA	Consensus	Previous
10-May	NFIB Small Business Optimism Index	APR	92.90	93.10	92.60
10-May	US Job Openings By Industry Total SA	MAR	5507.00	5400.00	5445.00
10-May	Merchant Wholesalers Inventories Total Monthly % Change	MAR	0.20	0.10	-0.50
12-May	US Initial Jobless Claims SA	MAY 7	261.00	270.00	274.00
12-May	US Continuing Jobless Claims SA	APR 30	2133.00	2120.00	2121.00
12-May	US Import Price Index by End Use All MoM NSA	APR	0.10	0.60	0.20
13-May	US PPI Final Demand MoM SA	APR	0.10	0.30	-0.10
13-May	US PPI Final Demand Less Foods and Energy MoM SA	APR	0.10	0.10	-0.10
13-May	Adjusted Retail & Food Services Sales SA Total Monthly % Change	APR	0.40	0.80	-0.40
13-May	Adjusted Retail Sales Less Autos and Gas Stations SA MoM Percent Change	APR	0.30	0.30	0.10
13-May	University of Michigan Consumer Sentiment Index	MAY P	90.80	89.50	89.00
13-May	US Manufacturing & Trade Inventories Total MoM SA	MAR	0.20	0.20	-0.10

Economic Outlook

	2015	2016			2014	2015	2016	2017
	4Q	1Q	2Q	3Q				
Real GDP (% SAAR)	1.4	0.5	3.4	3.8	2.4	2.4	2.5	2.4
CPI (YoY %)	0.5	1.1	1.1	1.5	1.6	0.1	1.3	2.0
CPI Core (YoY %)	2.0	2.2	2.1	2.1	1.7	1.8	2.1	2.1
Unemployment Rate (%)	5.0	4.9	4.9	4.8	6.2	5.3	4.8	4.6
Fed Target Rate (eop, %)	0.50	0.50	0.75	0.75	0.25	0.50	1.00	2.00
10Yr Treasury (eop, % Yield)	2.24	1.89	1.95	2.10	2.21	2.24	2.27	2.79
US Dollar/ Euro (eop)	1.09	1.11	1.10	1.11	1.23	1.09	1.12	1.16
Core Logic Home Prices (YoY %)	5.36	5.34	4.78	4.44	7.69	5.06	4.70	4.26

Fun Fact

The Kentucky Derby is the oldest continuously held sporting event, occurring without interruption on the first Saturday of May every year since 1875. At the 2015 Kentucky Derby, attendees consumed 127,000 Mint Juleps, 163,000 hot dogs, 43,600 jumbo shrimp and 22,000 barbecue sandwiches. (Kentucky Derby, May 2016)

Recent Publications

[Consumer Credit Breaks Records in March](#) (May 6, 2016)

[Job Growth Slows but Wages Intensify in April](#) (May 6, 2016)

[Productivity Declines for Second Straight Quarter](#) (May 4, 2016)

[Debt Sustainability: Time to Splurge or Time to Save?](#) (May 4, 2016)

[Senior Loan Officer Survey, April 2016](#) (May 4, 2016)

[ISM Manufacturing Index Stays in Expansion Zone](#) (May 2, 2016)

[Cloud Banking or Banking in the Clouds?](#) (April 29, 2016)

[Sure as the Wind Blows: the Potential of Wind Energy in the U.S.](#) (April 28, 2016)

[1Q16 Real GDP Growth Decelerates to 0.5%](#) (April 28, 2016)

[FOMC Statement: Doves Hold off Hawks for Another Meeting, but How Long Can it Last?](#) (April 27, 2016)

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