

# U.S. Flash

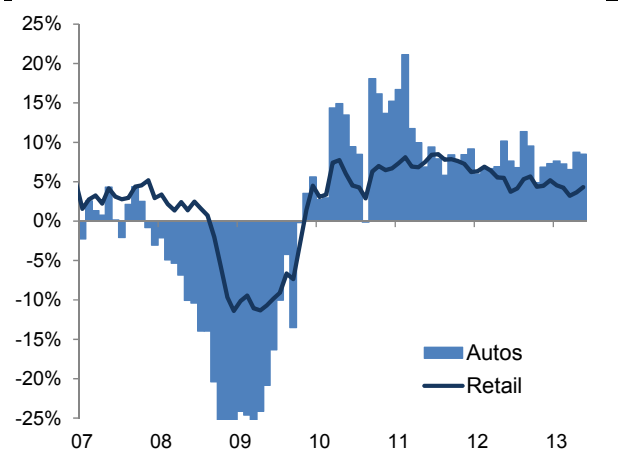
## Retail Sales Grow on Auto Demand and Building Materials

- **Retail Sales rose faster than expected in May, up 0.6% at the headline level**
- **Excluding autos and gas the figure remained positive, rising 0.3%**
- **With a growth rate of 4.3% YoY the consumer is showing signs of improvement**

The retail sales report for May pointed toward a much more positive situation than expected for the consumer. Outpacing consensus estimates, retail sales rose 0.6% on a month-over-month basis in May despite a weak gasoline sales figure due to the decline in prices at the pump. The driver in terms of the headline figure was vehicle sales which surged 1.8% after rising a little less than one percent in April. This is due primarily to the growth in recent quarters of the American motor industry which has begun to focus on the current consumer who wants a smaller, more economical vehicle rather than the petrol hungry SUV. Excluding autos and gas, the figure was still higher than expected, rising 0.3% for the month on a rise in a handful of strong sectors. With the growing housing market, building materials have shown marked growth, up 0.9% in May and 10.1% since May of last year. Food and beverage sales also grew as the summer months have boosted sales, up 0.7% for the month. However, as far as a ubiquitous rise is concerned, there were a few components that continued to struggle in terms of consistent growth. As the housing market recovers, it has been assumed that the furnishings to fill the new homes would be showing equal strength. However, that has not been the case as the furniture sector of retail sales has declined again, falling 0.8%. Appliances and electronics also declined for the month, down 0.4% as growth in both sectors have been slightly volatile based on product cycles. Still, despite the slower growth in certain sectors, general merchandise continues to show a productive quarter, up half a percent in May after a strong showing the month before.

Overall, it seems the growth in retail sales for May was focused in a few key components, primarily autos and building supplies with other sectors showing some signs of growth but they remain unable to sustain it for sequential reports. Nevertheless, with the summer months abound and consumers showing signs of increased optimism, we continue to expect stronger retail sales growth in the coming months.

Chart 1  
**Retail and Auto Sales**  
**YoY % Change**



Source: US Census Bureau & BBVA Research

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