

U.S. Flash

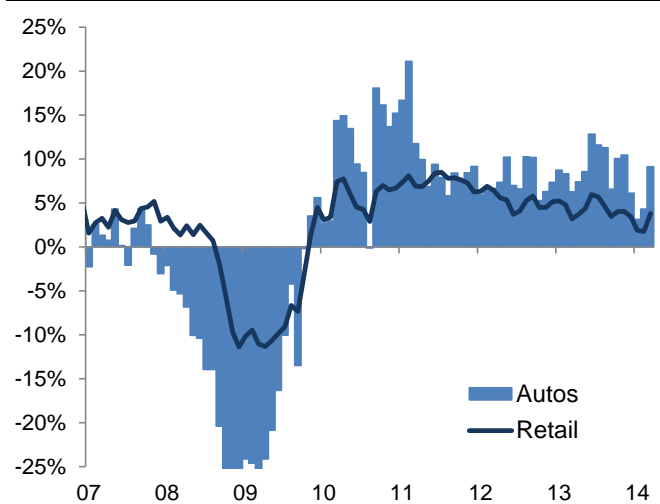
Retail Sales Strong in March Led By Boost in Autos

- **Headline retail sales increased 1.1% in March behind a 3.1% jump in auto sales**
- **Strength in core retail sales reflect a change in seasonal factors**
- **Stronger consumer spending data should be reflected in future GDP growth**

Headline retail sales jumped 1.1% in March, the biggest gain since September 2012, supporting our expectations that the winter slowdown was due mostly to transitory factors. The auto sales component led the charge, jumping 3.1% MoM, after positive sales for major dealerships hinted at an above-average auto sales figure for the retail report. Even excluding autos, sales still rose 0.7%, marking the biggest MoM increase since February 2013. Looking at the core figure, clothing and accessory stores led the way, up 1.0% MoM, with shoe store sales rising 3.2%, as consumers began to shed their winter attire and purchase clothing appropriate for the spring and summer months. Furniture and home furnishing sales were up a notable 1.0% MoM, which may be a hint that housing activity has also accelerated in stride with consumer spending. As if March's upbeat data was not enough, February growth was revised up from 0.3% to 0.7% MoM. Overall, the economy now appears to have mostly shaken off seasonal factors stemming from the colder-than-expected winter.

The pickup in retail sales for March, combined with the notable upward revision in the February figure, adds a slight upward bias to GDP for 1Q14, though we continue to expect slower growth compared to 2H13. The report confirms our suspicion that the dropoff in retail sales in December and January was likely attributed to seasonal factors rather than fundamentals. Furthermore, the sales data hints that consumer spending has gained traction after a brief slowdown, which remains crucial to sustain economic growth seen over the last four quarters. With political uncertainty and seasonal factors now in the rear-view mirror, it appears that the economy will soon begin firing on all cylinders. Looking ahead, we expect positive retail sales data to ripple its effects in the form of stronger employment growth and accelerated GDP growth as we enter 2Q14.

Chart 1
Retail and Auto Sales
YoY % Change



Source: US Census Bureau & BBVA Research

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