

U.S. Flash

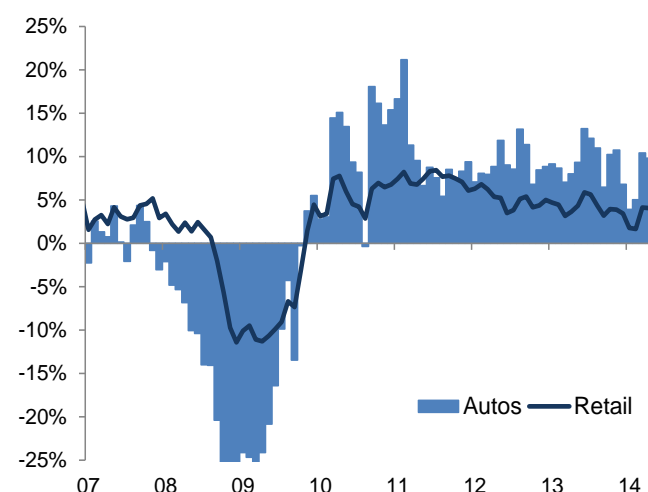
Retail Sales Break Accelerating Streak in April

- **Headline retail sales growth slowed to 0.1% in April but was offset by March revision**
- **April sales appear to be a hiccup in the data and not a reflection of the broader trend**
- **Retail sales should be stronger for 2Q14 as reflected by spending and employment data**

Headline retail sales rose 0.1% in April, the third consecutive month of positive change but a deceleration from February and March. The figure was led by a 0.6% MoM increase in auto sales, as the ex-auto figure was flat for the month. Sales at gasoline stations increased a modest 0.8%, though this nominal increase could be attributed to rising gas prices in April. Excluding both auto sales and gas, retail sales declined 0.1%. Looking at specific components, clothing and accessory stores posted a gain of 1.2% in April after jumping 1.1% the previous month, but we expect the component to take a breather next month after the rapid growth. Furniture and home furnishing stores showed a 1.5% decline in spending for April. This reflects sluggish housing market data and does not bode well for housing data released later this month. On a positive note, a notable upward revision for the headline figure in March from 1.1% to 1.5% more than offsets the stagnation in April. With the revision, MoM growth has now averaged 0.8% over the last three months, the highest three month moving average since September 2012.

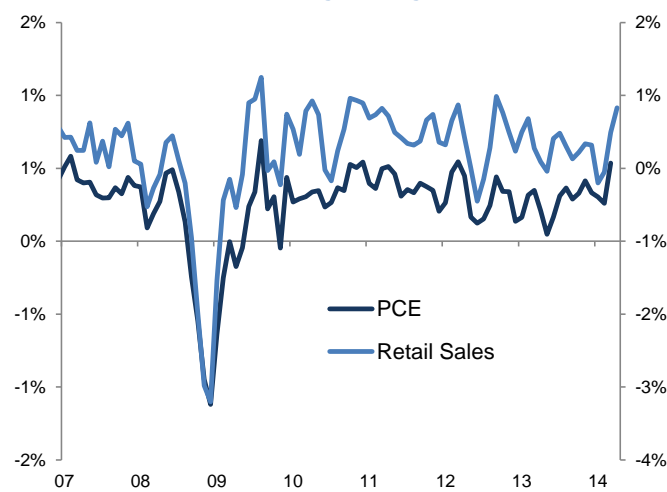
The retail sales data in April should not be viewed as a signal of an economic slowdown. Retail sales has been volatile on a month-to-month basis, and data over the past three months show that the component has been trending upward. After posting the two strongest back-to-back monthly gains since 2012, a pullback in growth is to be expected. We continue to expect consumer spending to drive economic growth as we transition into 2Q14, and as such, we project that monthly retail sales growth will be higher for both May and June. Moving forward, strong retail sales data should continue to be a reflection of strengthening employment data and robust GDP growth throughout the rest of the year.

Chart 1
Retail and Auto Sales
YoY % Change



Source: US Census Bureau & BBVA Research

Chart 2
Personal Consumption Expenditures and Retail Sales
MoM % Three-Month Moving Average



Source: US Census Bureau, BEA & BBVA Research

Michael Soni
michael.soni@bbvacompass.com
+1 713 831 7348

DISCLAIMER

This document was prepared by Banco Bilbao Vizcaya Argentaria's (BBVA) BBVA Research U.S. on behalf of itself and its affiliated companies (each BBVA Group Company) for distribution in the United States and the rest of the world and is provided for information purposes only. Within the US, BBVA operates primarily through its subsidiary Compass Bank. The information, opinions, estimates and forecasts contained herein refer to the specific date and are subject to changes without notice due to market fluctuations. The information, opinions, estimates and forecasts contained in this document have been gathered or obtained from public sources, believed to be correct by the Company concerning their accuracy, completeness, and/or correctness. This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities.