

DAILY GLOBAL COMMENTARY

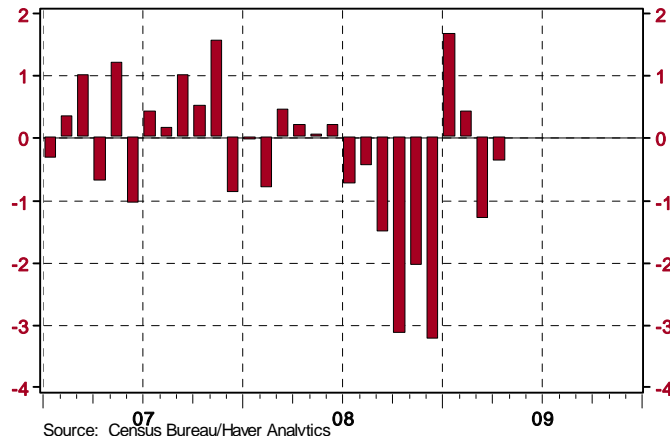
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Retail Sales are Stabilizing, but Q2 Consumer Spending Should Be Weak
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Retail sales fell 0.4% in April following a 1.3% decline in March. The earlier estimates for retail sales in February and March were revised down slightly. The 0.2% increase in auto sales contradicts the drop in unit auto sales (9.3 million vs. 9.8 million in March) which are used in the computation of consumer spending in the GDP report. On a quarterly basis, the weakness in retail sales in April bodes poorly for consumer spending in the second quarter because the level of retail sales in April sales is below the first quarter average.

Chart 1
Retail Sales & Food Services
% Change - Period to Period SA, Mil.\$



The boost from the fiscal stimulus package should be large enough to offset the weakness in April retail sales for a second quarter gain in consumer spending. However, on a year-to-year basis, retail sales appear to stabilizing as seen in chart 2.

Chart 2
Retail Sales & Food Services
% Change - Year to Year NSA, Mil.\$
Retail Sales & Food Serv Excl Auto, Gas Stations & Bldg Materials
% Change - Year to Year NSA, Mil.\$



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During April, with the exception of building materials (+0.3%), health and personal care (+0.4%), and food services and drinking places (+0.2%), all other components posted declines in April. Purchases of clothing (-0.5%), furniture (-0.5%), general merchandise (-1.0%) and food (-1.0%) were the noteworthy declines among the components of spending reported for April.

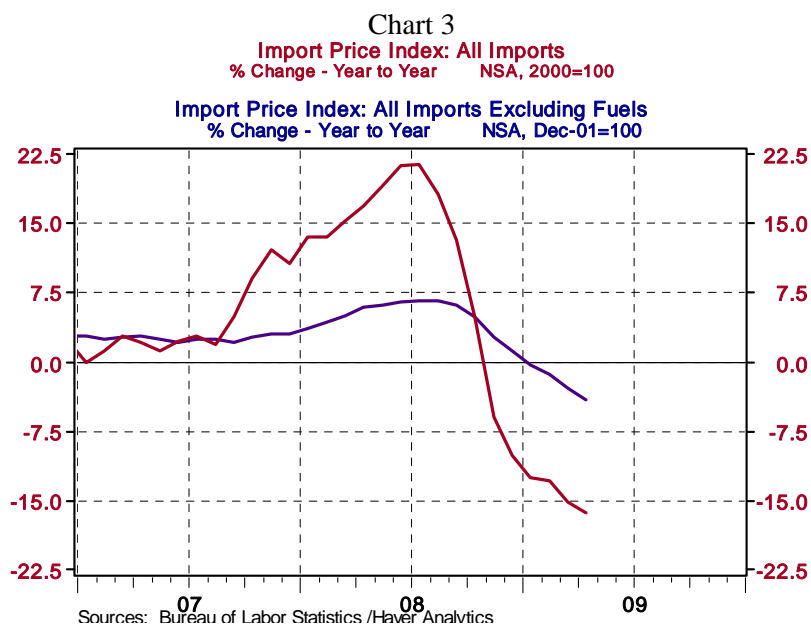
Retail Sales – April 2009

	<u>February</u>	<u>March</u>	<u>April</u>	<u>09:Q1</u> quarterly change SAAR	<u>09:Q2*</u>
Total Retail Sales & Food Service, % m-o-m	0.4	-1.3	-0.4	-5.6	-4.4
% change y-o-y	-11.6	-10.6	-9.4		
Ex-auto, % m-o-m	1.1	-1.2	-0.5	-5.4	-3.6
% change y-o-y	-8.2	-7.4	-6.6		
Ex- autos and gas % m-o-m	0.8	-1.0	-0.3	0.1	-2.7
% change y-o-y	-4.3	-3.1	-1.8		
Exc. Bldg. mat., auto, gas, % m-o-m	0.9	-1.0	-0.3	1.9	-2.8
% change y-o-y	-3.3	-2.6	-0.6		

* -annualized change based on April data

Higher Prices for Petroleum Imports Lift Overall Import Prices

The Import Price Index advanced 1.6% in April, after a 0.2% gain in the prior month. A 15.4% increase of the petroleum price index helped to raise overall import prices. Import prices excluding fuel were virtually unchanged (-0.1%) in April. On a year-to-year basis, the overall Import Price Index declined 16.3% in April, the largest decline on record for this series which goes back to September 1982. Import prices excluding fuel dropped 4.1% from a year ago, also the largest decline in the short history of this index that starts in December 2001. The main take away is that there is not imminent inflationary threat from rising import prices.



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