United States: Automobiles Prop Up Retail Sales

**HIGHLIGHTS**

- Retail sales were up 0.6% in March following a 0.1% drop in February and a 2.0% pullback in January.
- Automobile sales jumped 2.0%, their first monthly increase since October. Excluding autos, retail sales inched up just 0.2%, like in February.
- The value of service station sales dropped 0.3% after a 0.1% increase in February. Excluding autos and gas, sales rose 0.3%, the same as in February.

**COMMENTS**

After four monthly declines in a row, automobile sales were expected to rebound. Excluding the effects of hurricanes at the end of last summer, the 2.0% increase is the sharpest since December 2016. However, the 0.4-percentage-point contribution from automobiles to monthly growth in total sales conceals somewhat weak sales everywhere else. While consumer confidence continues to be very high and incomes swelled as a result of tax cuts, growth in purchases remains fairly modest. Excluding gas, retail sales posted their first quarterly decrease at the start of 2018 since the spring of 2009. However, the weak results we saw in March are a reflection of the effects of poor weather on some of the more fragile sectors, such as home improvement centres (-0.6%) and sporting and leisure goods stores (-1.8%). In addition, the decline in clothing (-0.8%) also comes from a price effect.

**IMPLICATIONS**

Despite gains in automobile sales in March, consumption growth will be lower for all of the first quarter. A springtime rebound is expected, however, meaning that the Federal Reserve will be able to continue its key rate hikes in June.