



TD Economics

June 13, 2013

Data Release: Retail sales hold their own in May, as Americans are wealthier than ever

- Advance retail sales surged 0.6% in May, beating market expectations for a 0.4% gain. The May strength follows an ever-so-slightly revised April figure (from 0.10% to 0.15%) and a March decline that was less severe than previously thought (-0.3% vs. -0.5%)
- Retail sales were just as robust after excluding gasoline purchases (up 0.6%). Excluding autos, retail sales rose by 0.3% - exactly matching consensus among economists.
- Gains were largely broad-based, but led by autos & parts (1.8%), building materials (0.9%), and food sales (0.7%). Furniture, electronics, and restaurants posted the only sizeable declines on the month – but the pullback follows solid gains in the previous month for the latter two categories.

Key Implications

- The strength in autos was not surprising; the pace of motor vehicle sales rising back above 15 million in May after a slightly slower April. Strength in building materials was also as expected, as the soaring housing market continued to inspire building and renovation activity.
- After excluding three of the more volatile components (gas, autos, and building materials) the gain was a still respectable 0.3%. This is an encouraging figure and gives further credence to the idea that the domestic recovery – while stumbling somewhat in the second quarter – will not succumb to fiscal tightening. Surging house prices, equity markets, and consequently household wealth – which set a new record in the first-quarter – have boosted morale. Coupled with a gradually recovering labor market, consumers continued to spend.
- The report comes less than a week before the FOMC meets to discuss monetary policy and will be one of the major pieces of data considered – with May housing starts and industrial production still on the docket. Next week's meeting is highly anticipated, as it will presumably shed some light the future of QE tapering. We still believe that given little to no inflation in the economy and still-subdued payroll figures, the FOMC will wait until after Labor Day to slow the pace of purchases.

Michael Dolega, Economist
416-983-0500

This e-mail and PDF is client and customer friendly.

DISCLAIMER

This report is provided by TD Economics. It is for information purposes only and may not be appropriate for other purposes. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. The report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.