



## Surprise: April retail sales didn't fall as expected

Tim Mullaney - May 14, 2013

Retail sales posted an unexpected gain in April, which may ease fears about how much this year's federal tax increases and spending cuts are slowing the economy.

Sales climbed 0.1% in April, the Commerce Department reported, beating the 0.3% month-to-month drop economists had predicted in a Bloomberg survey. Sales were up 3.7% from April 2012. Excluding autos, sales at stores and restaurants dropped 0.1% from March to April, and were up 2.8% from a year earlier.

"We will not say that the consumer is back, but we will say that the impact of payroll taxes and other fiscal follies created by Washington politicians is hurting the economy less than analysts had cared to previously factor in," said Andrew Wilkinson, chief investment strategist at Miller Tabak. "We think investors will welcome the latest report as a sign of returning consumer vitality."

The report marks a bounce back from a March decline, first reported as 0.4%, which was revised Monday to an estimated 0.5% drop. Sales of motor vehicles and parts rose 1% after dipping 0.6% in March, and sales of gasoline dropped 4.7%. Average pump prices fell 14 cents a gallon to \$3.59, according to AAA figures.

Gas prices are a major factor letting consumers keep up their spending, said **Bernard Baumohl, chief global economist at the Economic Outlook Group** in Princeton, N.J. The average national price fell to its lowest for April since 2010, translating into \$13 billion in extra spending power, he said. That wiped out the near-term impact of the payroll tax hike that took effect in January, he said.

Consumers are also feeling better because they are less afraid of losing their jobs and because housing prices are once again rising, building consumers' net worth, he said.

Some of the biggest gains were the 1% rise in sales at general merchandise stores and a 0.8% increase in sales at restaurants. Dining-out sales are a small but very sensitive barometer of consumer sentiment, Wilkinson said.

The results point to an economy growing at about 2.6% a year in the first quarter of 2013, slightly higher than the government's initial estimate last month, said Brian Wesbury, an economist at FT Advisors. Two other firms, JPMorgan Chase and Barclays, raised their estimates of second-quarter growth after the report, with Morgan's estimate going to a 2% annual pace from 1.5%.

"This growth is nothing to write home about, but much better than many analysts were projecting at the beginning of the year," Wesbury said.

Even one of Wall Street's more bearish economists said the report beat expectations, if not enough to herald stronger overall growth.

The gains are consistent with annualized growth in consumer spending of 1% to 1.5% after adjusting for inflation, Mizuho Securities USA chief economist Steven Ricchiuto said. Consumer spending accounts for about 70% of the economy.

Consumption grew 3.2% in the first quarter, adjusted for inflation, the Commerce Department reported last month.

###