



ECONOMIC TRENDS MONTHLY

**Retail Sales and PPI for March 2009**

- 1. The numbers, part 1.** Retail sales retreated an unexpectedly large 1.1% for March. Ex-auto retail sales slid 0.9% lower for the month (sequentially).
- 2. Go figure.** The main reason for the big miss in expectations was due to the *already known rise* in the unit sales of light vehicles, from 9.1 million units (annualized) in February to 9.8 mu during March. But in the retail sales numbers, motor vehicle/parts sales skidded 2.3% lower.
- 3. Softens the blow.** Total retail sales for February were revised higher, from a -0.1% change previously stated to a +0.3% guess now. Ex-auto was revised from +0.7% to +1.0%. As it stands now, total retail sales are a hair lower in Q1 versus Q4, but ex gasoline stations and their price reductions, retail sales rose in Q1.
- 4. Late Easter?** Does that account for the softness in March? It is as good an excuse as any.
- 5. Now for the detail.** Gasoline station sales were down 1.6% for March—that's a good thing, probably reflecting more of a decline in price, versus volume. But several of the *discretionary* areas of sales staged major pullbacks: Electronics/appliance stores = -5.9%; clothing = -1.8%; sporting goods = -0.9%; and food/drinking places = -1.4%. The more *nondiscretionary* areas: food = +0.5% and drug stores = +0.4%.
- 6. Housing still lacks solid foundations.** (Ha!) Building materials/garden store sales decreased 0.6% and furniture stores sales moved 1.7% lower.
- 7. The bottom line.** Consumer spending is still on shaky footings; buyers are behaving super-cautious. Things could brighten a bit in April, with some Easter spending AND the blip in take-home pay due to the tax cut.
- 8. The numbers, part 2.** Some better news here: the PPI for finished goods declined a bit more than expected 1.2% (y/y = -3.5%). The March drop was helped by a 5.5% decrease in energy prices (y/y = -25.4%). The finished goods PPI ex food and energy was unchanged (y/y = +3.8%).
- 9. More data.** The intermediate goods PPI = -8.9 (ex F&E = -1.6%) and the crude goods PPI = -39.0% (ex F&E = -33.2%).
- 10. Prices are cracking.** Finished capital goods prices dipped 0.2% (y/y = +3.4%). A lot of intermediate good prices retreated; for instance, "materials for durable goods manufacturing" = - 0.7% and "components for manufacturing" = -0.2%. It has gotten tougher to hold the line on prices. Buyers KNOW that materials and supplies prices are way down, and they are demanding that those lower costs be flowed through.
- 11. Memo to the President.** Pet food prices jumped 1.1% in March after seeing a 1.2% leap in February. The y/y = 12.8%. Pet owners are begging for relief. Tell the producers to keep their paws off our money! Do it for Bo.
- 12. A mulligan?** Prices in the "golf courses and country clubs" industry rose 1.0% in March and were up 2.8% y/y. Try going easy on the fertilizer!
- 13. Doing their part.** Prices for all manufacturers fell 0.7% in March (y/y = - 6.0%). Prices were lower in 15 of 21 individual manufacturing industries. But prices inched 0.1% higher in health care industries (y/y = +2.2%). What a bunch of sickos! And for legal services, March = +0.9% and the y/y = +3.3%. What did Shakespeare say?
- 14. More downward momentum.** The "year-over-years" are going to display considerable more downward momentum in upcoming months (through July). Some more easing of prices pressures should work its way higher up the supply chain. At the same time, however, the monthly relief from lower energy prices is just about done.



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