



U.S. April retail sales down 0.2 pct vs 0.1 pct fall expected UPDATE

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(Updates with analysts' commentary) WASHINGTON (Thomson Financial) - U.S. consumers played hardball at the car dealership last month, leaving overall retail spending negative in April, the second decline in the past four months, the Commerce Department said on Tuesday.

Overall retail sales fell 0.2 pct in April, a slightly sharper fall than the 0.1 pct decline economists surveyed by Thomson Reuters' IFR Markets had predicted.

Economists say the decline in headline retail sales were carried by a 2.8 pct drop in auto sales. When stripping out auto sales, retail sales were stronger than expected, rising 0.5 pct after rising by 0.4 pct in March. Economists had expected sales excluding autos to rise 0.3 pct in the month.

"Along with an upward revision to March, the non-auto sales gains contradict the conventional wisdom that holds that high energy costs are discouraging consumer discretionary spending," said David Resler of Nomura Securities International. He added that a 0.4 pct decline in gasoline sales "suggest that consumers are paring back their fuel consumption in order to maintain spending elsewhere." Excluding both gasoline and autos, retail sales rose 0.6 pct in April after falling 0.2 pct in March. And excluding gasoline, retail sales fell 0.2 April after remaining virtually unchanged in March.

"In advance of the arrival of the rebate checks, the consumer hit the malls to release a bit of the pent up demand for purchasing after a few months of lackluster sales," said Joseph Brusuelas of Merck Investments. "This is an undeniably positive development that does set the table for a second quarter that is looking to shape up far better than anyone could have imagined just a few weeks ago." Commerce also reported that building supply store sales rose 1.9 pct in April, the largest increase since May, while sales at electronics and appliance stores rose 1.4 pct in the month, the largest monthly rise since November.

Clothing store sales rose 0.7 pct in April, while department store sales fell 0.5 pct and furniture store sales declined 0.6 pct in the month.

Overall retail sales have risen 2.0 pct in the past 12 months, while retail sales excluding autos have risen 4.5 pct in the past year.

The Labor Department today reported that import prices rose 1.8 pct in April. Over the year, import prices jumped 15.4pct, the largest annual increase since the index was first published in November 1992.

"The combination of rising import price pressures and stronger-than-expected retail sales should further add to the case for the (Federal Reserve) to remain on hold next month," said John Ryding of Bear Stearns.

At its last Federal Open Market Committee meeting, the Fed cut the target rate by a quarter percentage point.

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