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Chain Store Sales: Resilience

March sales results from major store chains come in at the firm side of expectations, with the ICSC/Goldman Sachs index up 2% year on year for comparable stores, as against the lonstanding forecast from that group of a flat to up 2% result.

Forecasts for seasonally adjusted official retail sales results will probably be firmed up a bit. The chain-store figures were held back by an adverse shift in the timing of Easter, but still came in reasonably solid relative to expectations, and much the same effect will likely occur in the official numbers, where seasonal adjustment attempts to take account of an "expected" impact from the holiday shift.

The impact may even be a bit more evident in the adjusted numbers, since the effect of the adjustment is of a boosting nature.

In any case, the message on the general tone of consumer spending given by the results is very favorable, with sales not only overcoming the expected Easter effect somewhat, but doing so despite sharply higher food and energy prices--and unfavorably cool weather in some regions. Notably, reasonable strength was seen at the lower end of the market as well as at the higher end.

The common explanation for the resilience at the lower end--and there seems to be little reason to doubt it--is that the healthier job market is offsetting the negative impact of higher necessities prices. That linkage emphasizes the critical necessity that employment keep rising solidly in order to keep consumer spending, and the general economy, on any reasonable growth track.

Fed doves will probably see that as a vulnerability for the economy, while hawks may be more inclined to see the revival in employment growth as reflecting a natural equilibration of the labor market--reflecting layoffs that have brought headcounts down to near-minimally tolerable levels, and wages that settled to reasonable levels for the current environment--and, thus, a support to growth.

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