New York • London • Boston • Chicago
DECISION ECONOMICS, INC.
Information for Decisions™

New York: 212 884 9440
London: 011 44 20 7814 6706
Boston: 617 994 0500
Email: decisioneconomics@pdeeco.com

Pierre Ellis

May 15, 2012

Mildly Unfriendly 8:30 Numbers

April retail sales are mildly weaker than generally expected, rising 0.1% in total and 0.1% ex-autos, but the more revealing total ex-autos, building materials and gasoline is up a decent 0.3%, following on a 0.6% rise (revised from 0.5%) in March, and a 0.7% rise (revised from 0.6%) in February. The generally expected moderate trend into Q2 is delivered--and strengthened a bit by the upward revisions. Notably, the April total shows continued trend firmness in key discretionary categories, with some relative weakness in apparel and general merchandise probably due to the Easter shift.

April CPI meets expectations, with the total unched and the core result up 0.2%. The latter figure is bulging a bit, with core goods prices up 0.2% and core services up 0.3%--with no particular boost from rent-related items, but some firmness in labor-intensive categories. FOMC hawks will see that pattern as validating their worries that the labor market is effectively less slack than the unemployment rate would suggest.

The headline Empire State index jumps a more-than-expected 10.5 points, to 17.1--indicating improved business sentiment. Orders are healthy, but do not show the same enthusiasm, rising 1.8 points to 8.3, though managers are convinced enough to keep employment growth strong, with that index gaining 1.1 points, to 20.5. Regional results do not necessarily track the national trend, but these numbers are certainly consistent with the recent firmness in the national ISM.

FOMC hawks win the day--but certainly not decisively. Still, the big message is of no significant weakening in overall growth--with consumers behaving a bit more moderately, but giving no sign of retrenchment. Doves are relieved at that, but concerns about the future will not be greatly eased until employment grows more strongly and steadily.

© 2012 Decision Economics, Inc. All rights reserved. Reproduction in whole or in part without the written permission of the copyright owner is prohibited.