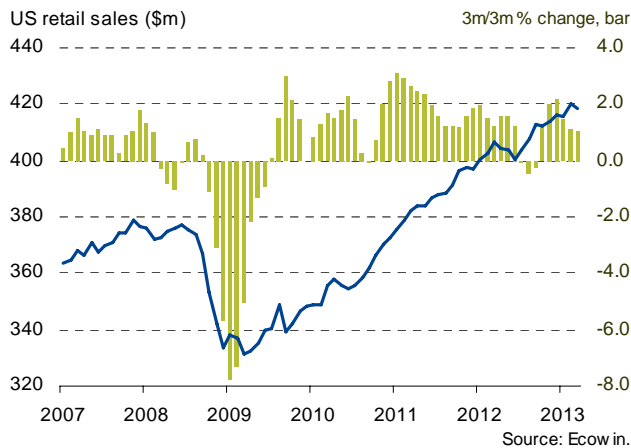


United States

Retail sales slide and consumer woes add to fears of slowing economy

- **US retail sales +1.0% in Q1 v +1.5% in Q4 after -0.4% fall in March**
- **Drop corresponds with weakening consumer confidence**

US retail sales



Lower consumer confidence looks to have resulted in a drop in US retail sales in March, raising the prospect that the economy is slowing as spring advances.

US retail sales fell 0.4% in March, dropping for the second time so far this year. Core sales, which exclude building materials, car dealers and gasoline, also fell, dropping 0.2%. Analysts had been expecting both total sales and core sales to have been unchanged during the month, according to Reuters.

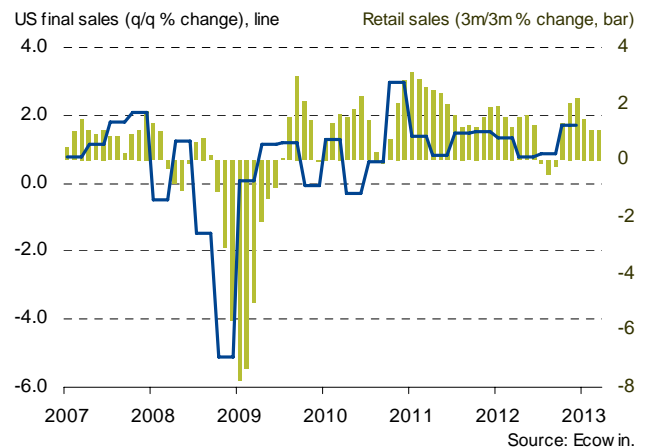
Data from the University of Michigan meanwhile showed consumer confidence dropping in April to its lowest since last July, attributed by the University to job and policy worries.

The decline in retail sales March follows a 1.0% rise in February and a 0.1% drop in January, which leaves retail sales up 1.0% over the first quarter as whole, down from growth of 1.5% in the final quarter of last year. This easing suggests that total final sales growth in the economy will have slowed from the 1.6% rate seen in the fourth quarter, but nevertheless still suggest that the overall rate of GDP growth will have accelerated significantly from the annualized rate of just 0.1% seen in the fourth quarter.

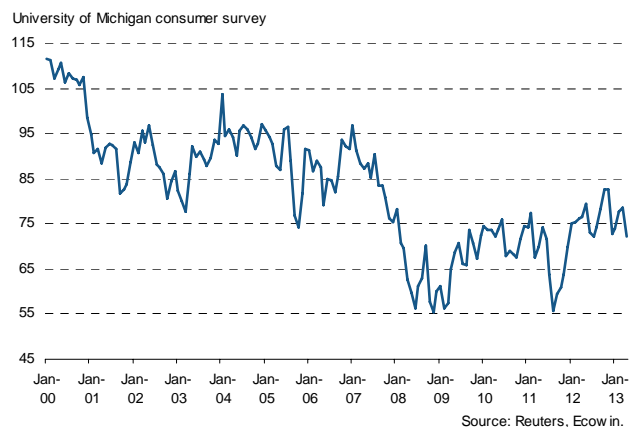
The concern is that growth could slow again in the second quarter. There are suggestions that the downturn in March could have been caused by temporary factors such as the timing of Easter and cold weather, but the fact that consumer confidence has fallen markedly suggests otherwise, and that instead there is an underlying weakening of demand.

This weakness is possibly linked to increased payroll and income tax hikes which took effect at the start of the year, and will inevitably add to worries that the US economy is slowing as we move into the spring as automatic budget spending cuts come into force. With this in mind, the Fed will be more cautious about sending signals that it is preparing to ease back on policy stimulus.

US retail sales v 'final' sales (GDP less inventories)



Consumer confidence



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