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U.S. Retail Sales on the Rise

CORPORATE FINANCE, RETAIL
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U.S. retail sales were on the rise at the beginning of the second quarter. Commerce Department figures showed that there was a 0.8% increase in the value of sales in March and a 0.3% increase in April, which matched the median forecast.

February retail sales data was previously estimated as a 0.1% decrease but was adjusted to unchanged. Retail sales, when excluding automobile and gasoline sales, rose 0.4% in March and 0.3% in April. Automobile sales only increased by 0.1% in April after having a 2.1% rise in March. Gasoline prices are at an all-time high since late 2014, which has led to a 0.8% increase in earnings.

Additionally, retail-control group sales increased by 0.4%. These sales are used to calculate gross domestic product and exclude auto dealers, food services, building materials stores, and fueling stations.

While nine of thirteen major retail categories showed advancement in April, increased earnings were especially apparent in furniture merchants, building material outlets, Internet retailers, and department stores. Apparel stores showed the largest increase in sales since March of 2017.

Furniture stores and clothing stores had increases in sales of 0.8% and 1.4% respectively, while department store sales increased by 0.2% and sales at general merchandise outlets rose 0.3%.

Because of the second quarter sales results, consumer spending, the largest part of the economy, is expected to increase after having a weak first quarter. The overall growth in sales can be partially attributed to larger after-tax paychecks, which arose from President Donald Trump's tax cuts that were signed into law at the end of 2017. These tax cuts allow for more spending, which help to stimulate growth in the economy. The strong job market and larger paychecks have helped to alleviate the affects from rising fuel costs.

James Knightley, chief international economist at ING Bank, commented that "Households are in good spirits and are spending in the new season. Employment is rising, wages are growing and tax cuts means there is more cash in people's pockets."

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