



Economic Flash!

July 15, 2008

Meny Grauman (416) 956-6527

US Retail Sales: Stimulus Checks Are Not Enough

Percent Changes:	June	May	Rev From	Apr	Mar	Jun08/07
Retail Sales	0.1	0.8	1.0	0.2	0.5	3.0
Excluding Autos	0.8	1.2	1.2	1.0	0.8	6.2
Motor vehicles/parts	-3.3	-0.6	0.3	-3.1	-0.5	-9.5
Auto/other motor veh.	-3.6	-0.8	0.1	-3.4	-0.6	-10.5
Furniture/home furn	-1.4	0.3	0.4	-0.2	0.0	-5.4
Electronics/appliances	-0.6	1.7	0.7	1.4	0.0	5.5
Building/garden equip	-0.9	2.3	2.4	2.2	-1.0	-1.5
Food/beverage	0.7	-0.1	0.4	0.8	0.9	5.6
Grocery stores	0.6	-0.2	0.6	0.7	0.8	5.8
Health/personal care	0.6	0.1	0.8	0.7	0.3	4.1
Gasoline stations	4.6	3.3	2.6	0.6	2.6	24.5
Clothing/accessories	0.6	0.8	0.5	0.5	0.6	2.9
Sporting goods/hobbies	0.7	0.8	0.7	0.7	0.8	2.8
General merchandise	0.4	1.3	1.2	0.7	0.4	5.6
Department stores	0.3	0.5	0.8	0.2	-0.4	-1.3
Misc store retailers	0.8	-0.4	-0.6	0.8	0.7	-2.9
Non-store retailers	0.8	1.0	1.6	2.4	1.7	8.1
Food/drink services	-0.2	0.8	0.8	1.1	0.4	3.6
Excluding autos/ gasoline/bldg materials*	0.4	0.6	0.8	0.9		4.3

- US consumers continued to spend in June, unfortunately most of what they bought went to fill-up their gas tanks. Despite ongoing job losses, rising prices at the pump and a depressed real estate market, US consumer spending managed to remain above water. But at a gain of 0.1% m/m, this was a very small monthly increase, especially when coupled with a small downward revision to May's number.
- Even the ongoing bounty of federal stimulus checks could not keep Americans shopping for big ticket items, as sales of cars, furniture and electronics plunged after rising in May. Although total sales rose by a healthy 0.8% m/m if we exclude a 3.3% m/m drop in auto purchases, after removing gasoline purchases total sales actually fell by 0.5% m/m.
- Sales of both clothing and general merchandise remained reasonably healthy, but it is clear that even with the government's support, the American consumer is fading. The last three months have seen a remarkable resurgence in personal spending, but with so much going against the average US shopper it is likely that real spending growth will contract in Q3.

Implications & Actions

Re: Economic Forecast — Not only was June's retail sales report weaker than expected, but it also presaged more weakness ahead. Looking at core retail spending (excluding gas, building materials and auto dealers) it is clear that, after an unexpected spike, these numbers will start to fall back over the second half of the year. While the outlook for second quarter real GDP growth looks quite good on the back of firm personal spending numbers, we expect a more disappointing result in Q3 and Q4 as real spending growth starts to contract.

Re: Markets — June's retail sales report failed to make a material market impact as investors remained preoccupied with Fed Chairman Bernanke's semiannual Congressional testimony and ongoing concerns over financial stability. During his testimony Bernanke emphasized the downside risks to growth, while pointing out the upside risks to inflation. We believe that these competing considerations leave Fed rate hikes on hold until Q4.

Conflicts of Interest: CIBC World Markets' analysts and economists are compensated from revenues generated by various CIBC World Markets businesses, including CIBC World Markets' Investment Banking Department. CIBC World Markets may have a long or short position or deal as principal in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should not rely solely on this report in evaluating whether or not to buy or sell the securities of the subject company.

Legal Matters: This report is issued and approved for distribution by (i) in Canada by CIBC World Markets Inc., a member of the IDA and CIPF, (ii) in the UK, CIBC World Markets plc, which is regulated by the FSA, and (iii) in Australia, CIBC World Markets Australia Limited, a member of the Australian Stock Exchange and regulated by the ASIC (collectively, "CIBC World Markets"). This report is distributed in the United States by CIBC World Markets Inc. and has not been reviewed or approved by CIBC World Markets Corp., a member of the New York Stock Exchange ("NYSE"), NASD and SIPC. This report is intended for distribution in the United States only to Major Institutional Investors (as such term is defined in SEC 15a-6 and Section 15 of the Securities Exchange Act of 1934, as amended) and is not intended for the use of any person or entity that is not a major institutional investor. Major Institutional Investors receiving this report should effect transactions in securities discussed in the report through CIBC World Markets Corp. This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets in Canada, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. This document and any of the products and information contained herein are not intended for the use of private investors in the United Kingdom. Such investors will not be able to enter into agreements or purchase products mentioned herein from CIBC World Markets plc. The comments and views expressed in this document are meant for the general interests of clients of CIBC World Markets Australia Limited.

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC World Markets Inc. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC World Markets Inc. suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgements as of the date of this report and are subject to change without notice.

Although each company issuing this report is a wholly owned subsidiary of Canadian Imperial Bank of Commerce ("CIBC"), each is solely responsible for its contractual obligations and commitments, and any securities products offered or recommended to or purchased or sold in any client accounts (i) will not be insured by the Federal Deposit Insurance Corporation ("FDIC"), the Canada Deposit Insurance Corporation or other similar deposit insurance, (ii) will not be deposits or other obligations of CIBC, (iii) will not be endorsed or guaranteed by CIBC, and (iv) will be subject to investment risks, including possible loss of the principal invested. The CIBC trademark is used under license.

(c) 2008 CIBC World Markets Inc. All rights reserved. Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.