

# July Retail Sales

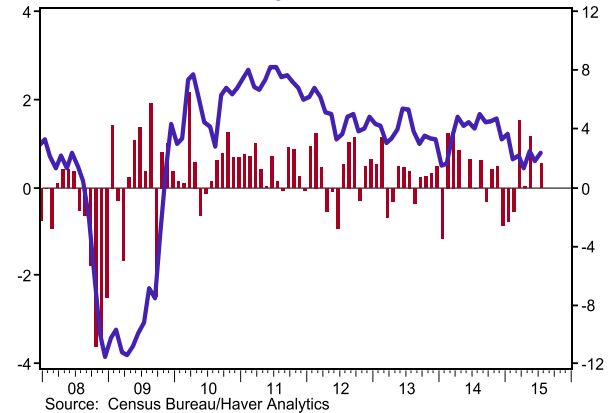
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 Strider Elass – Economist

- Retail sales increased 0.6% in July, matching consensus expectations. Including revisions to prior months, sales rose 1.0%, and are up 2.4% versus a year ago.
- Sales excluding autos increased 0.4% in July, also matching expectations, and were up 1.0% including revisions to prior months. These sales are up 1.3% in the past year. Excluding both autos and gas, sales are up 3.8% versus a year ago.
- The gain in sales in July was led by autos, non-store retailers (internet & mail-order), and restaurants & bars.
- Sales excluding autos, building materials, and gas increased 0.3% in July (+0.8% including revisions to prior months). If unchanged in August/September, these sales will be up at a 2.9% annual rate in Q3 versus the Q2 average.

**Implications:** Robust retail sales in July as well as upward revisions for May and June make a September rate hike even more likely. Retail sales rose 0.6% in July and, including revisions to prior months, were up 1.0%. Remember how some analysts were concerned because retail sales declined in June? Well, that decline has been revised away. Meanwhile, the upward spike in May was revised to be even stronger. Although sales are up only 2.4% from a year ago, they've been accelerating lately, with sales up at a 7.3% annual rate in the past three months. About half of the increase in July was due to autos, which tend to be volatile from month to month. However, even excluding autos, sales were up 0.4% in July and a robust 1.0% including revisions to prior months. Gas station sales rose 0.4% even though prices at the pump were down for the month. This implies demand is picking up even more than in the typical July. In the twelve months through May (the latest data available) Americans drove the most miles on record. Now it looks like we hit new record highs this summer. Plugging today's report into our models suggests "real" (inflation-adjusted) consumer spending, on goods and services combined, will be up at about a 3.0% annual rate in Q3 while real GDP grows at about a 2% pace. (Inventories should be a large drag on real GDP growth in Q3.) Also, today's data, along with recent numbers on construction and inventories, signal real GDP growth for Q2 will be revised up to a 3.3% annual rate versus the government's initial estimate of 2.3%. Plow on Plow Horse, plow on! In other news this morning, new claims for unemployment insurance increased 5,000 last week to 274,000, the 23<sup>rd</sup> straight week below 300,000. Continuing claims rose 15,000 to 2.27 million. This report is consistent with a payroll gain of 200,000 in August. Meanwhile, still no sign of inflation in the trade sector. Import prices declined 0.9% in July and are down 10.4% from a year ago. The drop is mostly from petroleum, but not all of it; import prices are down 2.8% from a year ago even excluding petroleum. Export prices declined 0.2% in July and are down 6.1% from a year ago.

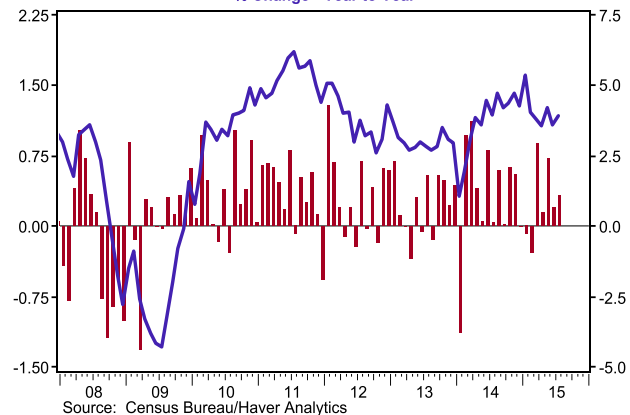
Retail Sales & Food Services  
 % Change - Month to Month

Retail Sales & Food Services  
 % Change - Year to Year



Retail Sales Ex: Autos, Gas & Building Materials  
 % Change - Month to Month

Retail Sales Ex: Autos, Gas & Building Materials  
 % Change - Year to Year



Retail Sales <i>All Data Seasonally Adjusted</i>	Jul-15	Jun-15	May-15	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
<b>Retail Sales and Food Services</b>	<b>0.6%</b>	0.0%	1.2%	7.3%	5.7%	2.4%
<b>Ex Autos</b>	<b>0.4%</b>	0.4%	1.0%	7.2%	5.3%	1.3%
<b>Ex Autos and Building Materials</b>	<b>0.3%</b>	0.4%	1.1%	7.5%	5.7%	1.3%
<b>Ex Autos, Building Materials and Gasoline</b>	<b>0.3%</b>	0.2%	0.7%	5.3%	4.2%	3.9%
<b>Autos</b>	<b>1.4%</b>	-1.5%	1.9%	7.5%	7.5%	6.9%
<b>Building Materials</b>	<b>0.7%</b>	0.2%	0.2%	4.5%	0.2%	2.8%
<b>Gasoline</b>	<b>0.4%</b>	1.8%	3.9%	27.2%	18.9%	-15.2%

Source: Bureau of Census

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