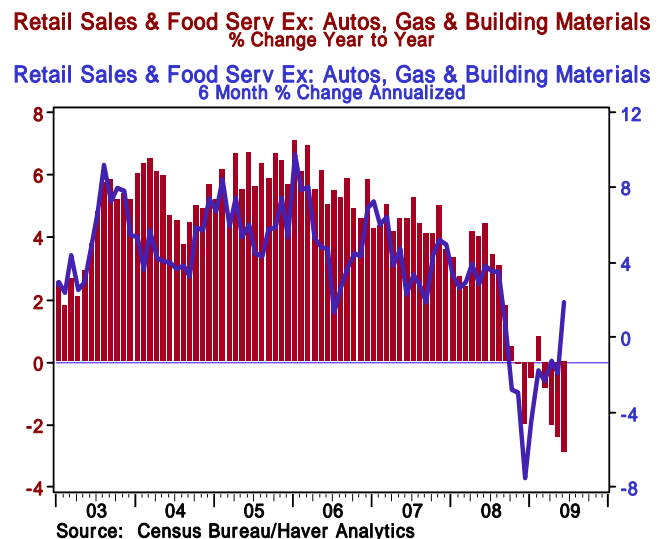
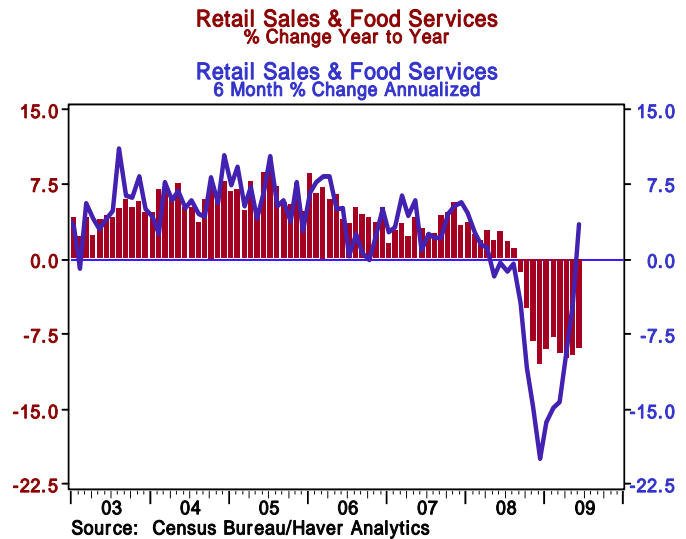


## JUNE RETAIL SALES

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- Retail sales increased 0.6% in June versus a consensus expected gain of 0.4%. Retail sales excluding autos increased 0.3% versus a consensus expected rise of 0.5%.
- Retail sales are down 9.0% in the past year but up at a 3.5% annual rate in the last three months. Ex-autos, sales are down 7.9% versus last year, but up at a 1.6% annual rate in the past three months.
- The increase in sales in June was concentrated in autos and at gas stations. Other categories of sales showed no major changes.
- Sales excluding autos, building materials, and gas were down 0.1% in June with slight downward revisions to April and May.

**Implications:** Despite rising unemployment, retail sales continue to gradually rebound from the severe losses suffered late last year. Retail sales fell at almost a 20% annual rate in the last six months of 2008 but are up at a 3.4% rate so far this year. “Core” retail sales (excluding autos, building material, and gas) fell at a 7.5% annual rate in the last half of 2008 but have gone up at a 1.9% rate in the first half of this year. A V-shape recovery in consumer spending is apparent in the adjacent charts. We expect the rebound in sales to continue, and accelerate, as Americans realize stability is returning to the economy. Despite continued job losses, consumers are more willing to spend because the remaining workforce is more confident they will keep their jobs and the financial system is not facing collapse. In other news today, business inventories fell 1% in May on top of a downwardly revised 1.3% drop in April. All the data out so far suggest real GDP declined at about a 2% annual rate in Q2, with a small rise in final sales outweighed by a huge decline in inventories. This sets the economy up for positive growth in Q3 and beyond.



Retail Sales <i>All Data Seasonally Adjusted</i>	Jun-09	May-09	Apr-09	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>	0.5%	-0.3%	3.5%	3.4%	-9.0%
<b>Ex Autos</b>	<b>0.3%</b>	0.4%	-0.3%	1.6%	3.7%	-7.9%
<b>Ex Autos and Building Materials</b>	<b>0.4%</b>	0.4%	-0.3%	2.4%	4.8%	-7.4%
<b>Ex Autos, Building Materials and Gasoline</b>	<b>-0.1%</b>	-0.1%	-0.2%	-1.8%	1.9%	-2.9%
<b>Autos</b>	<b>2.3%</b>	0.7%	0.2%	13.5%	1.9%	-14.1%
<b>Building Materials</b>	<b>-0.9%</b>	0.4%	-1.1%	-6.4%	-7.4%	-13.0%
<b>Gasoline</b>	<b>5.0%</b>	5.0%	-0.6%	44.0%	30.7%	-31.6%

Source: Bureau of Census

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