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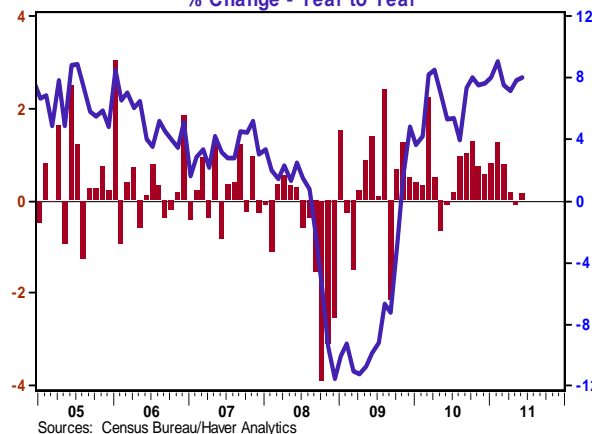
June Retail Sales

- Retail sales increased 0.1% in June (0.2% including revisions to April/May). The consensus had expected a decline of 0.1%. Retail sales are up 8.1% versus a year ago.
- Sales excluding autos were unchanged in June (-0.2% including revisions to April/May). The consensus expected no change. Retail sales ex-autos are up 7.9% in the past year.
- The increase in retail sales for June was led by autos and building materials. The largest decline was at gas stations.
- Sales excluding autos, building materials, and gas increased 0.1% in June but were unchanged including revisions for April/May. These sales are up 5.5% versus last year. This calculation is important for estimating GDP.

Implications: The soft patch continues to dissipate. Retail sales beat consensus expectations in June, increasing 0.2% including revisions to previous months. Excluding gas – everyone knew gas sales would be down due to the drop in oil prices – retail sales were up a solid 0.3% in June. Moreover, retail sales are still being adversely affected by the supply-chain disruptions coming from Japan. Motor vehicle sales bounced back in June, rising 0.8%, but they still have a long way to go as production conditions in Japan rebound. In the past year, total retail sales are up 8.1% and sales excluding autos are up 7.9%. “Core” sales (which exclude autos, building materials, and gas) were up 0.1% in June and are up 5.5% in the past year. Factoring-in services as well as inflation, real consumer spending will probably be up at a 1% annual rate in Q2. Consumer spending continues to rise for two key reasons. First, earnings are growing due to more jobs, more wages per hour, and more hours per worker. Second, consumers’ financial obligations (debt service plus other recurring payments like rent, car leases, homeowners’ insurance, and property taxes) are now the smallest share of disposable income since 1994. Add on top of that a recovery in the auto sector as Japan heals, and the future continues to look bright for retail sales.

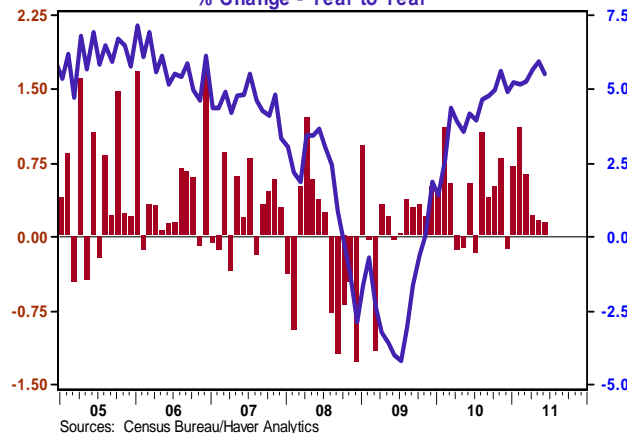
Retail Sales & Food Services
 % Change - Month to Month

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>	Jun-11	May-11	Apr-11	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr % Change
Retail Sales and Food Services	0.1%	-0.1%	0.2%	0.9%	6.2%	8.1%
Ex Autos	0.0%	0.2%	0.3%	2.4%	7.6%	7.9%
Ex Autos and Building Materials	-0.1%	0.2%	0.3%	1.8%	7.7%	7.8%
Ex Autos, Building Materials and Gasoline	0.1%	0.2%	0.2%	2.0%	6.0%	5.5%
Autos	0.8%	-1.8%	-0.5%	-6.0%	-0.3%	8.9%
Building Materials	1.3%	0.5%	0.4%	9.4%	5.2%	7.8%
Gasoline	-1.3%	0.5%	1.0%	0.8%	18.2%	23.6%

Source: Bureau of Census