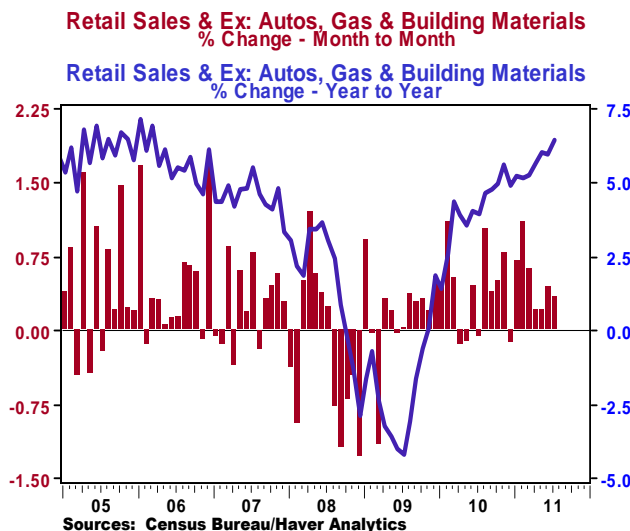
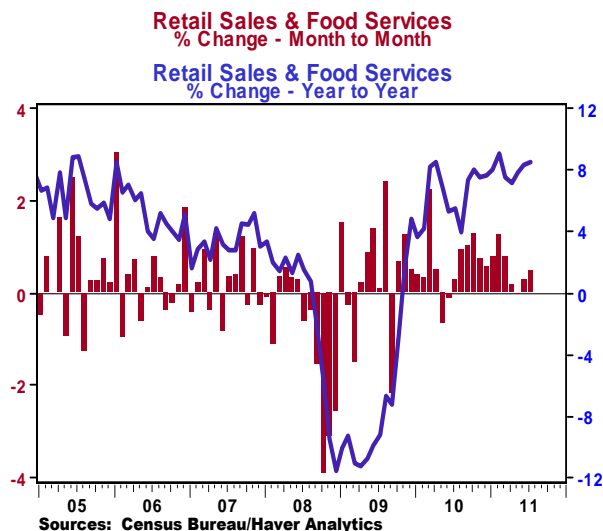


Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Senior Economist
Strider Elass – Economic Analyst
Andrew Hull – Economic Analyst

July Retail Sales

- Retail sales increased 0.5% in July (0.7% including revisions to May/June), matching consensus expectations. Retail sales are up 8.5% versus a year ago.
- Sales excluding autos increased 0.5% in July (0.7% including revisions to May/June) beating consensus expectations of 0.3%. Retail sales ex-autos are up 8.6% in the past year.
- The increase in retail sales for July was led by gas, but almost all major categories of sales increased.
- Sales excluding autos, building materials, and gas increased 0.3% in July and were up 0.7% including revisions for May/June. These sales are up 6.4% versus last year. This calculation is important for estimating GDP.

Implications: Today's report on retail sales shows that as of July, before the recent financial turmoil, the soft patch was over. Meanwhile, real time economic indicators like initial unemployment claims, rail traffic, box office receipts, and early reports on auto sales do not show a sharp change in direction. In other words, there is no evidence of panic among consumers and companies like back in late 2008. Overall retail sales matched consensus expectations in July, increasing 0.5%, but the details of the report show even more strength. Excluding autos, retail sales rose 0.7% including revisions to May/June, beating expectations. And motor vehicle sales continued to rebound in July, rising 0.4%, although they still have a long way to go as production conditions recover from the Japan disasters. In the past year, total retail sales are up 8.5% and sales excluding autos are up 8.6%. "Core" sales (which exclude autos, building materials, and gas) were up 0.3% in July, but including substantial upward revisions, these sales rose 0.7%. And remember, all this spending took place during the debt ceiling fiasco in Washington DC that supposedly hurt business confidence and scared consumers. The consumer is more resilient than you think.



Retail Sales <i>All Data Seasonally Adjusted</i>	Jul-11	Jun-11	May-11	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.5%	0.3%	0.0%	2.8%	6.0%	8.5%
Ex Autos	0.5%	0.2%	0.3%	3.9%	7.7%	8.6%
Ex Autos and Building Materials	0.5%	0.1%	0.3%	3.8%	7.6%	8.7%
Ex Autos, Building Materials and Gasoline	0.3%	0.4%	0.2%	4.1%	6.0%	6.4%
Autos	0.4%	0.7%	-1.6%	-2.1%	-1.7%	8.1%
Building Materials	-0.4%	1.6%	0.3%	6.2%	7.9%	7.5%
Gasoline	1.6%	-1.7%	0.6%	2.3%	17.5%	23.6%

Source: Bureau of Census