June Retail Sales

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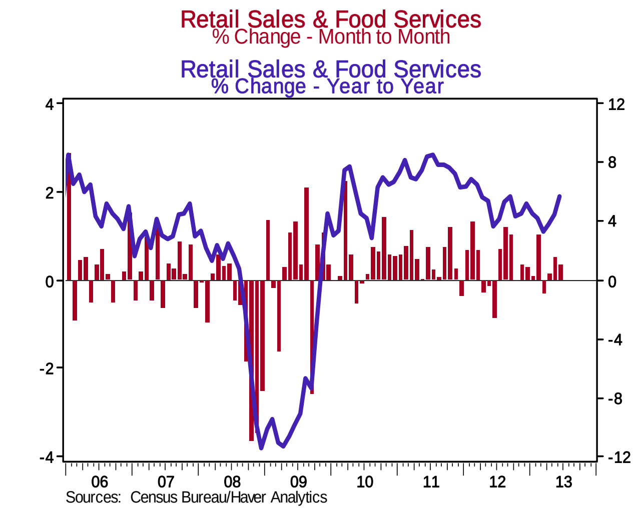
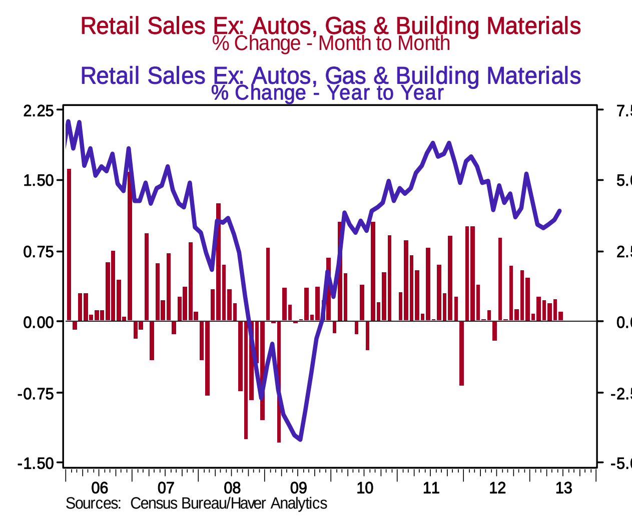
- Retail sales increased 0.4% in June, coming in below the consensus expected gain of 0.8%. Sales are up 5.7% versus a year ago.
- Sales excluding autos were unchanged in June, coming in short of consensus expectations. These sales were up 0.1% including revisions to prior months and up 4.5% in the past year.
- The increase in sales in June was led by autos and non-store retailers (internet and mail-order). The largest declines were for building materials and restaurants & bars.
- Sales excluding autos, building materials, and gas rose 0.1% in June. These sales were up at a 2.6% annual rate in Q2 versus the Q1 average.





Implications: Whatever happened to all the analysts who thought the sequester or fiscal cliff deal was going to kill the consumer? Despite their predictions of doom and gloom, we got another plow horse report on retail sales today. Although sales came in short of consensus expectations, they were up 0.4% in June and are up 5.7% since last year. With consumer prices up about 1.6% since a year ago, "real" (inflation-adjusted) sales are up more than 4% in the past year. The details of the report are favorable for future months. The largest drag on sales in June was building materials, which fell 2.2%. Given the rebound in housing, these sales should bounce back in the next couple of months. "Core" sales, which exclude autos, building materials, and gas, rose 0.1% in June, the twelfth consecutive gain. There was nothing in today's report to write home about, but it is growth and much better than many analysts were projecting at the beginning of the year. For the rest of 2013, we still expect two major themes to play out for the consumer: first, an acceleration in consumer spending growth versus the past couple of years despite higher taxes and the sequester; second, a transition away from growth in auto sales and toward other areas, like furniture, appliances, and building materials. Consumer spending should accelerate because of continued growth in jobs, hours, and wages. In addition, households have the lowest financial obligations ratio (debt service plus other recurring monthly payments) since the early 1980s. In other news this morning, the Empire State index, a measure of manufacturing activity in New York, rose to +9.5 in July from +7.8 in June. This suggests a pickup in growth in July. Given today's data on sales and inventories, it now looks like real GDP grew at about a 1.5% annual rate in Q2, just about the average growth rate for the past year.

Retail Sales *All Data Seasonally Adjusted*	Jun-13	May-13	Apr-13	3-mo % Ch. *annualized*	6-mo % Ch. *annualized*	Yr to Yr *% Change*
Retail Sales and Food Services	**0.4%**	0.5%	0.2%	4.4%	4.0%	5.7%
Ex Autos	**0.0%**	0.3%	0.0%	1.5%	2.7%	4.5%
Ex Autos and Building Materials	**0.2%**	0.3%	-0.3%	0.8%	2.3%	3.9%
Ex Autos, Building Materials and Gasoline	**0.1%**	0.2%	0.2%	2.2%	2.3%	3.9%
Autos	**1.8%**	1.4%	1.0%	18.4%	9.8%	11.4%
Building Materials	**-2.2%**	1.2%	3.1%	8.6%	5.7%	9.4%
Gasoline	**0.7%**	0.4%	-3.1%	-7.6%	2.4%	4.3%

Source: Bureau of Census