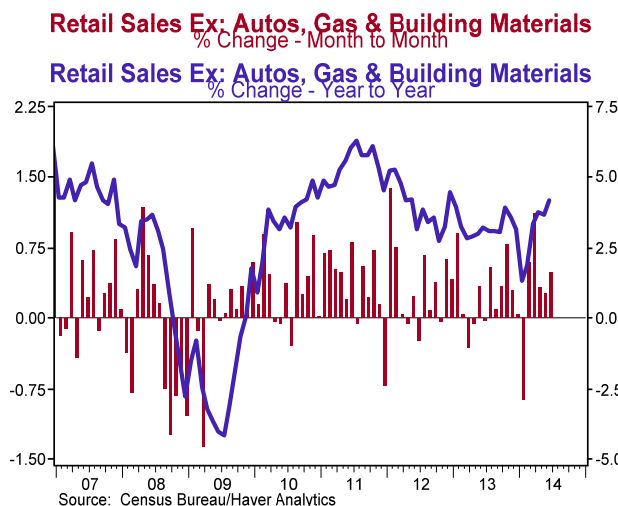
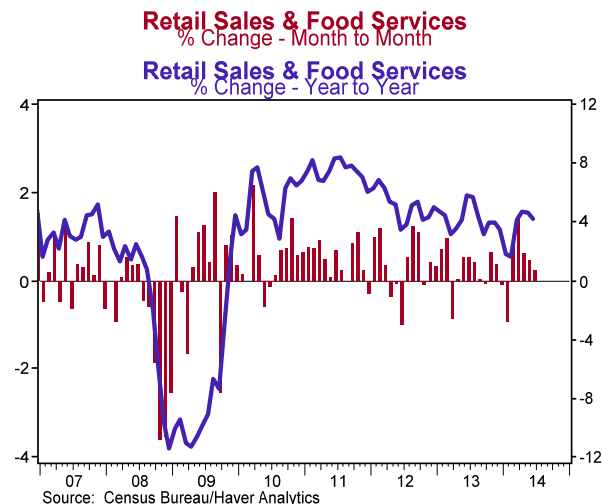


June Retail Sales

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Economist

- Retail sales increased 0.2% in June (+0.5% including revisions for April/May) versus a consensus expected 0.6% gain. Sales are up 4.3% versus a year ago.
- Sales excluding autos increased 0.4% in June (+0.9% including revisions to prior months). The consensus expected a gain of 0.5%. These sales are up 3.7% in the past year.
- The increase in sales in June was led by general merchandise stores and nonstore retailers (internet and mail-order). The weakest categories were autos and building materials.
- Sales excluding autos, building materials, and gas were up 0.5% in June (+1.0% including revisions to prior months). These sales are up at a 6.7% annual rate in Q2 versus the Q1 average.

Implications: The details of today’s report on retail sales make it much better news than the headlines suggest. Retail sales increased a tepid 0.2% in June, falling short of the robust 0.6% gain the consensus expected. Sales excluding autos increased 0.4%, also falling short of consensus expectations. However, sales were revised up substantially for April and May. Including those upward revisions, overall sales increased a solid 0.5% and sales ex-autos increased 0.9%. Despite some news stories bemoaning consumer spending, the data show retail sales are accelerating. In the past three months, retail sales are up at a 5.5% annual rate versus a gain of 4.3% in the past year. “Core” sales, which exclude autos, building materials and gas, increased 0.5% in June and were up 1% including revisions to prior months. Core sales have risen in eleven of the past twelve months. These sales are key input into the GDP data and it looks like “real” (inflation-adjusted) consumer spending, goods and services combined, will be up around a 2% annual rate in Q2. In other news this morning, the Empire State index, which measures manufacturing sentiment in New York, increased to 25.6 in July from 19.3 in June. It’s now the highest level in four years, signaling that the factory sector continues to expand. On the inflation front, trade prices remain calm. Import prices rose 0.1% in June and are up 1.2% from a year ago. Almost all the gain since last year is due to petroleum; import prices ex-oil are up only 0.1% from a year ago. Export prices declined 0.4% in June and are up only 0.2% from last year. Ex-agriculture, export prices are up 0.3% from last year.



Retail Sales <i>All Data Seasonally Adjusted</i>	Jun-14	May-14	Apr-14	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr % Change
Retail Sales and Food Services	0.2%	0.5%	0.6%	5.5%	5.7%	4.3%
Ex Autos	0.4%	0.4%	0.6%	5.6%	4.5%	3.7%
Ex Autos and Building Materials	0.5%	0.3%	0.5%	5.2%	3.9%	3.7%
Ex Autos, Building Materials and Gasoline	0.5%	0.3%	0.3%	4.5%	4.0%	4.2%
Autos	-0.3%	0.8%	0.8%	5.2%	10.8%	6.4%
Building Materials	-1.0%	0.6%	1.4%	4.2%	7.9%	3.7%
Gasoline	0.3%	0.7%	1.3%	10.0%	3.9%	0.6%

Source: Bureau of Census