

## June Retail Sales

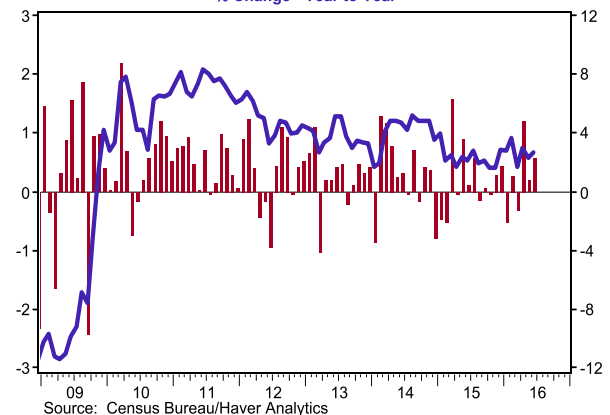
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- Retail sales increased 0.6% in June (+0.3% including revisions to prior months), beating the consensus expected gain of 0.1%. Retail sales are up 2.7% versus a year ago.
- Sales excluding autos increased 0.7% in June, beating the consensus expected 0.4%. These sales are up 3.2% in the past year. Excluding both autos and gas, sales are up 4.6% versus a year ago.
- The increase in sales in June was led by building materials, non-store retailers (internet and mail orders), and gas stations.
- Sales excluding autos, building materials, and gas rose 0.4% in June. These sales were up at a 6.8% annual rate in Q2 versus the Q1 average.

**Implications:** The consumer finished out the second quarter strong. Retail sales grew 0.6% in June, beating the most optimistic forecast by any economics group. We hope the Fed is paying attention. Inflation is starting to build, consumer spending is accelerating, and wages are rising. It's time to start raising rates again. Building materials led the gain in overall sales in June, up 3.9%, but eleven of the thirteen major categories showed growth in June. Overall sales are accelerating too, up a whopping 8.4% annualized over the past three months versus 2.9% annualized in the past six months and 2.7% from a year ago. Sales at gasoline stations rose 1.2% in June, and are up at a 27.1% annualized rate in the past three months. Still even with the gain in June, sales at gas stations are down 9.6% from a year ago. Non-store retail sales rose 1.1% in June and are up 14.2% in the past year, the largest yearly gain since 2006. That's why you hear about old-line brick-and-mortar department stores doing poorly. "Core" sales, which exclude autos, building materials, and gas, rose 0.4% in June. Core sales are up a very respectable 4.3% from a year ago, and were up at a 6.8% annualized rate in the second quarter, the best quarter in two years. We now estimate that "real" (inflation-adjusted) consumer spending on goods and services, combined, grew at a 4.4% annual rate in Q2, the fastest growth for any quarter in a decade. As a result, we're now forecasting that real GDP grew at a 2.0% annual rate in Q2. Look for continued growth in both real GDP and real consumer spending in the months ahead. Employment continues to expand, while wage growth is accelerating and consumer debt service obligations remain very low by historical standards. Overall, the economy remains a Plow Horse, but consumer purchasing power and, therefore, spending, is one of the brightest spots.

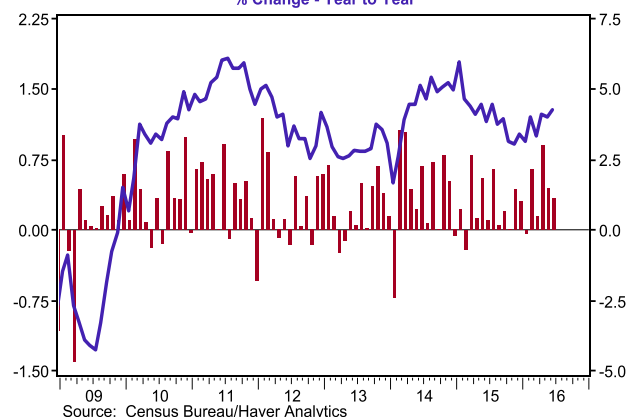
Retail Sales & Food Services  
% Change - Month to Month

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-16	May-16	Apr-16	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>	0.2%	1.2%	8.4%	2.9%	2.7%
<b>Ex Autos</b>	<b>0.7%</b>	0.4%	0.9%	8.2%	4.5%	3.2%
<b>Ex Autos and Building Materials</b>	<b>0.4%</b>	0.6%	1.1%	8.9%	4.8%	2.7%
<b>Ex Autos, Building Materials and Gasoline</b>	<b>0.4%</b>	0.5%	0.9%	7.1%	5.1%	4.3%
<b>Autos</b>	<b>0.1%</b>	-0.5%	2.6%	8.9%	-2.9%	1.0%
<b>Building Materials</b>	<b>3.9%</b>	-2.5%	-1.6%	-1.4%	-0.9%	7.6%
<b>Gasoline</b>	<b>1.2%</b>	2.2%	2.7%	27.1%	2.3%	-9.6%

Source: Bureau of Census