

July Retail Sales

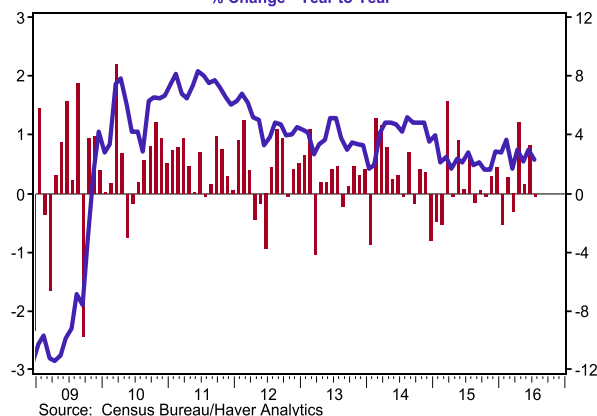
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- Retail sales were unchanged in July (+0.2% including revisions to prior months), coming in below the consensus expected gain of 0.4%. Retail sales are up 2.3% versus a year ago.
- Sales excluding autos declined 0.3% in July, below the consensus expected 0.1% gain. These sales are up 2.2% in the past year. Excluding both autos and gas, sales are up 3.8% versus a year ago.
- Sales in July were unchanged as gains for autos and non-store retailers (internet and mail orders) were offset by declines in gas station sales and small drops in other categories.
- Sales excluding autos, building materials, and gas declined 0.1% in July. If unchanged in August/September, these sales will be up at a 1.6% annual rate in Q3 versus the Q2 average.

Implications: After robust sales growth in the second quarter, the consumer started the third quarter on a quiet note as sales were little changed from last month. However, including upward revisions to prior months, sales were up 0.2%, so there's no reason to take today's news as a "doom and gloom" report. A one-month slowdown doesn't make a trend. Retail sales are up at a 4.4% annual rate in the past six months versus a 2.3% gain in the past year, a clear acceleration. Autos and non-store retailers were the strongest components in July, up 1.1% and 1.3%, respectively. Sales at non-store retailers are up 14.1% from a year ago, tied with last month as the largest yearly gain since 2006! That's why Macy's will be closing another 100 stores; it's not due to a weak consumer, but a change in the way consumers shop. However, sales at gasoline stations declined 2.7% in July, which offset most of the gains for autos and non-store retailers. "Core" sales, which exclude autos, building materials, and gas, declined 0.1% in July, but remain up a very respectable 3.6% from a year ago. 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, should remain one of the bright spots. In other recent news, initial unemployment claims declined 1,000 last week to 266,000, the 75th consecutive week below 300,000. Meanwhile, continuing claims increased 14,000 to 2.155 Million. Plugging these figures into our models suggests solid payroll growth in August.

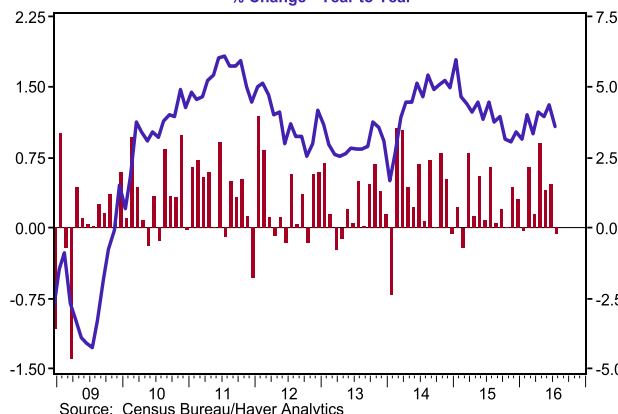
Retail Sales & Food Services
 % Change - Month to Month

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>	Jul-16	Jun-16	May-16	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.0%	0.8%	0.2%	3.9%	4.4%	2.3%
Ex Autos	-0.3%	0.9%	0.3%	3.5%	4.8%	2.2%
Ex Autos and Building Materials	-0.3%	0.6%	0.5%	3.4%	5.1%	2.0%
Ex Autos, Building Materials and Gasoline	-0.1%	0.5%	0.4%	3.4%	5.2%	3.6%
Autos	1.1%	0.5%	-0.3%	5.2%	2.6%	2.4%
Building Materials	-0.5%	4.2%	-2.6%	3.7%	-1.0%	3.5%
Gasoline	-2.7%	2.2%	1.7%	4.2%	4.2%	-11.0%

Source: Bureau of Census