

## May Retail Sales

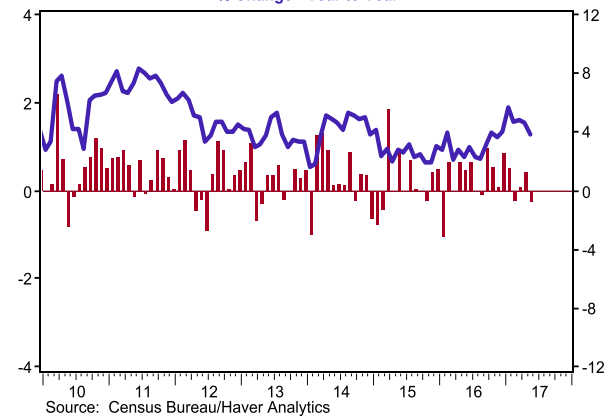
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- Retail sales declined 0.3% in May (-0.2% including revisions to prior months), versus a consensus expected no change. Retail sales are up 3.8% versus a year ago.
- Sales excluding autos declined 0.3% in May (-0.2% including revisions to prior months), versus a consensus expected 0.1% gain. These sales are also up 3.8% in the past year. Excluding autos and gas, sales were unchanged in May but are up 3.6% from a year ago.
- The decline in sales in May was led by gas stations. The largest gain was for nonstore retailers (internet & mail-order).
- Sales excluding autos, building materials, and gas were unchanged in May but were up 0.2% including revisions to prior months. If unchanged in June, these sales will be up at a 3.2% annual rate in Q2 versus the Q1 average.

**Implications:** Retail sales were soft in May, but shouldn't prevent the Fed from raising short-term interest rates later today. Although retail sales declined 0.3% in May, coming in below the consensus expected no change, most of the decline was due to lower sales at gasoline stations, the result of a drop in gas prices at the pump. Usually, gas prices rise in May as people start taking longer trips in the better weather. However, this year headline gas prices fell slightly in May, making seasonally-adjusted prices and gas sales even weaker. Plugging this morning's data into our models, it looks like "real" (inflation-adjusted) consumer spending will be up at about a 3% annual rate in the second quarter. Some analysts will use today's data as a reason to stoke fears about the overall state of the consumer and will emphasize recent news about weakness and store closings among traditional brick and mortar retailers. But, on a year-ago comparison basis, the growth in overall retail sales is still outstripping the growth of consumer prices. Consumers are just spending their money differently than in the past, buying more items via the internet. Non-store retailers made up 10.9% of retail sales in May, the largest portion ever and that will keep growing in the years ahead. A decade ago, nonstore retailers accounted for 6.8% of retail sales. And if you adjust for the areas where the internet has not had a dramatic effect, taking out autos, building materials and gas stations, non-store retailers now make up 16.3%. "Core" sales, which exclude autos, building materials, and gas, were unchanged in May, but were up 0.2% including revisions to prior months. Core sales are up 2.8% from a year ago but are accelerating, up 3.4% annualized over the past six months and 4.4% over the past three months. The fundamental trends that drive growth in consumer spending continue to look good, including healthy job growth, faster wage growth, and very low consumer financial obligations relative to historical norms. The consumer is alive and well.

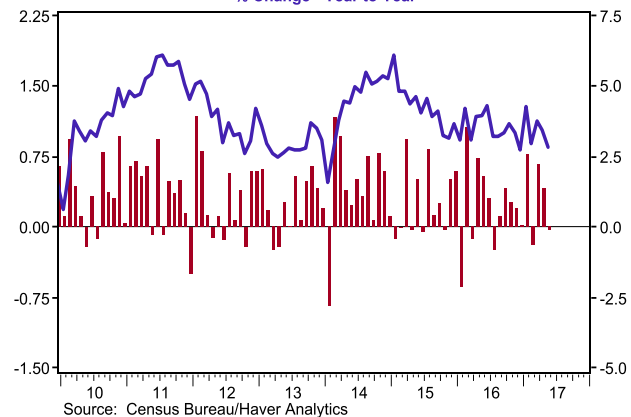
Retail Sales & Food Services  
% Change - Month to Month

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>	May-17	Apr-17	Mar-17	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>-0.3%</b>	0.4%	0.1%	1.1%	2.9%	3.8%
<b>Ex Autos</b>	<b>-0.3%</b>	0.4%	0.3%	1.6%	3.8%	3.8%
<b>Ex Autos and Building Materials</b>	<b>-0.3%</b>	0.4%	0.5%	2.3%	3.4%	3.2%
<b>Ex Autos, Building Materials and Gasoline</b>	<b>0.0%</b>	0.4%	0.7%	4.4%	3.4%	2.8%
<b>Autos</b>	<b>-0.2%</b>	0.5%	-0.5%	-0.9%	-0.4%	3.7%
<b>Building Materials</b>	<b>0.0%</b>	0.6%	-1.8%	-4.7%	7.9%	10.8%
<b>Gasoline</b>	<b>-2.4%</b>	0.0%	-1.0%	-13.3%	3.6%	6.2%

Source: Bureau of Census

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