

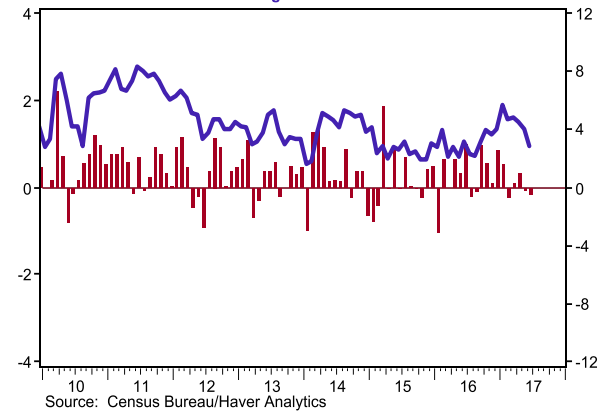
## June Retail Sales

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- Retail sales declined 0.2% in June (-0.1% including revisions to prior months), versus a consensus expected gain of 0.1%. Retail sales are up 2.8% versus a year ago.
- Sales excluding autos declined 0.2% in June (-0.4% including revisions to prior months), versus a consensus expected 0.2% gain. These sales are up 2.4% in the past year. Excluding gas, sales were down 0.1% June but are up 3.1% from a year ago.
- The decline in sales in June was led by gas stations, miscellaneous retailers, restaurants & bars, and food & beverage stores. The largest gain was for general merchandise stores, non-store retailers (internet & mail-order), and building materials.
- Sales excluding autos, building materials, and gas declined -0.2% in June (-0.1% including revisions to prior months). These sales were up at a 3.0% annual rate in Q2 versus the Q1 average.

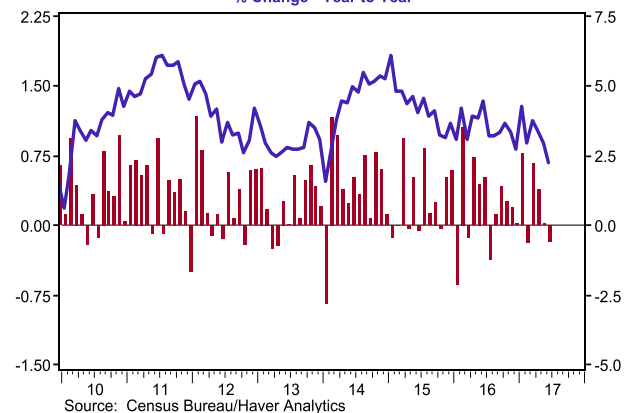
Retail Sales & Food Services  
% Change - Month to Month

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



**Implications:** Retail sales were soft again in June, but don't take that as a sign consumer spending is rolling over or the economy as a whole is getting weaker. Total retail sales slipped 0.2% in June and half of the drop in overall sales was due to lower gas prices. This normal volatility causes retail sales to drop three or four months during a year, even in a growing economy. "Core" sales, which exclude autos, building materials, and gas, were also down 0.2%. In spite of the weak month, for the second quarter as a whole, core sales were up at a healthy 3% annual rate versus the first quarter, consistent with our forecast that "real" (inflation-adjusted) consumer spending on goods and services combined, rose at about a 3% annual rate as well. This is not a sign of a dying consumer. Even with the 0.2% decline in total retail sales in June, they're still up 2.8% from a year ago, which is outstripping the 1.6% increase in the consumer price index. Note that one area of continuing strength is among non-brick and mortar retailers, where sales rose 0.4% in June, are up 9.2% from a year ago, and now make up 10.9% of sales, the largest portion on record. Expect a rebound in retail sales in the months ahead. The fundamental trends that drive growth in consumer spending continue to look good. These include healthy job growth, wage growth, and very low consumer financial obligations relative to historical norms. Although household debt is at a record high, household debts are the lowest relative to household assets since the peak of the internet boom almost 20 year ago. In other news this morning, business inventories increased 0.3% in May. Plugging this into our forecast, suggests real GDP grew at a 2.5% annual rate in the second quarter, a little faster than the 2.1% average since the economic recovery started in mid-2009.

Retail Sales <i>All Data Seasonally Adjusted</i>	Jun-17	May-17	Apr-17	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
<b>Retail Sales and Food Services</b>	-0.2%	-0.1%	0.3%	0.4%	1.1%	2.8%
<b>Ex Autos</b>	-0.2%	-0.3%	0.3%	-1.0%	2.5%	2.4%
<b>Ex Autos and Building Materials</b>	-0.3%	-0.3%	0.3%	-1.1%	1.9%	2.0%
<b>Ex Autos, Building Materials and Gasoline</b>	-0.2%	0.0%	0.4%	1.0%	3.1%	2.2%
<b>Autos</b>	0.1%	0.9%	0.5%	6.2%	-4.0%	4.7%
<b>Building Materials</b>	0.5%	-0.6%	-0.1%	-0.7%	4.2%	5.1%
<b>Gasoline</b>	-1.3%	-3.0%	-0.5%	-17.7%	-7.3%	0.3%

Source: Bureau of Census

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