

June Retail Sales

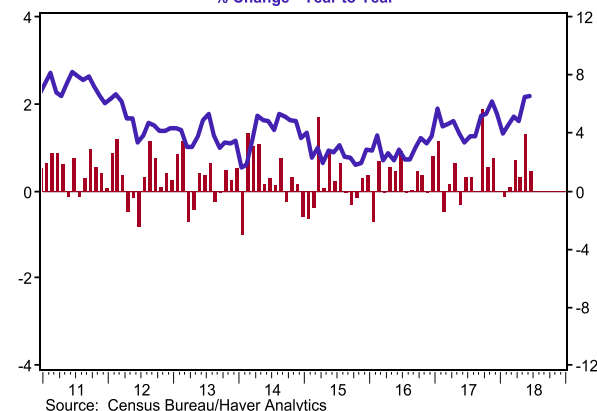
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- Retail sales rose 0.5% in June, matching the consensus estimate, but with revisions to prior months were up a total of 1.0%. Retail sales are up 6.6% versus a year ago.
- Sales excluding autos increased 0.4% in June (+0.9% including revisions to prior months), beating the consensus expected 0.3% gain. These sales are up 7.1% in the past year. Excluding gas, sales were up 0.4% in June and are up 5.4% from a year ago.
- The gain in sales in June was led by restaurants & bars, autos, and non-store retailers (internet & mail order). The largest decline was for clothing & accessory stores.
- Sales excluding autos, building materials, and gas rose 0.2% in June (+0.8% including revisions to prior months). These sales were up at a 7.5% annual rate in Q2 versus the Q1 average.

Implications: A strong jobs market and increased spending power thanks to the tax cuts have consumers feeling great. Retail sales grew for the fifth consecutive month, rising 0.5% in June. And the gains in June were broad-based, with eight of the 13 major categories showing rising sales, led by restaurants & bars, autos, as well as internet & mail order sales. Add in upward revisions for the month of May and retail sales are up a strong 6.6% from a year ago (and up an even stronger 7.1% excluding auto sales). While we saw modest real (inflation-adjusted) consumer spending growth last quarter - rising just 1.0% annualized in Q1 - that had more to do with the timing of growth than the trend. Today's report suggests real consumer spending grew at a 3.0% annual rate in Q2, supporting our projection of 4.5-5.0% real GDP growth in the second quarter. Given the tailwinds from deregulation and tax cuts, we expect an average real GDP growth rate of 3%+ in 2018 and 2019, a pace we haven't seen since 2005. Jobs and wages are moving up, tax cuts have taken effect, consumer balance sheets look healthy, and serious (90+ day) debt delinquencies are down substantially from post-recession highs, all suggesting overall retail sales will continue to trend higher in the months to come. To put it succinctly, the outlook for the consumer looks bright. In other news this morning, the Empire State index, a measure of manufacturing sentiment in New York, slipped to a still very healthy 22.6 in July from 25.0 in June, signaling continued optimism in the region. Also this morning, business inventories rose 0.4% in May as expected. On the inflation front last week, import prices declined 0.4% in June, while export prices rose 0.3%. Import prices were led lower by a 0.7% drop in prices for fuels, while non-agricultural exports, particularly air passenger fares, led export prices higher. In the past year, import prices are up 4.3%, while export prices have increased 5.3%, reinforcing other recent data showing a rising trend in inflation.

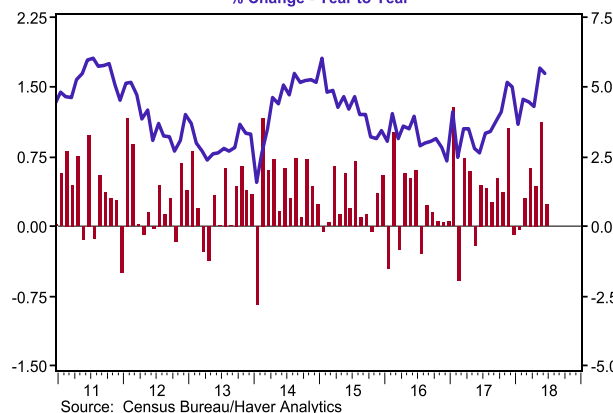
Retail Sales & Food Services
% Change - Month to Month

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-18	May-18	Apr-18	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.5%	1.3%	0.3%	8.9%	5.8%	6.6%
Ex Autos	0.4%	1.4%	0.4%	9.1%	6.4%	7.1%
Ex Autos and Building Materials	0.3%	1.3%	0.4%	8.8%	6.5%	7.1%
Ex Autos, Building Materials and Gasoline	0.2%	1.1%	0.5%	7.6%	5.6%	5.5%
Autos	0.9%	0.8%	0.2%	8.1%	3.8%	4.6%
Building Materials	0.8%	2.5%	-0.6%	11.5%	2.8%	6.2%
Gasoline	1.0%	3.0%	0.4%	19.2%	13.3%	21.6%

Source: Bureau of Census