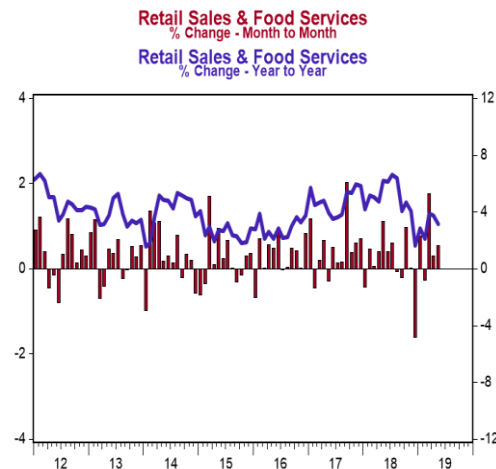


## May Retail Sales

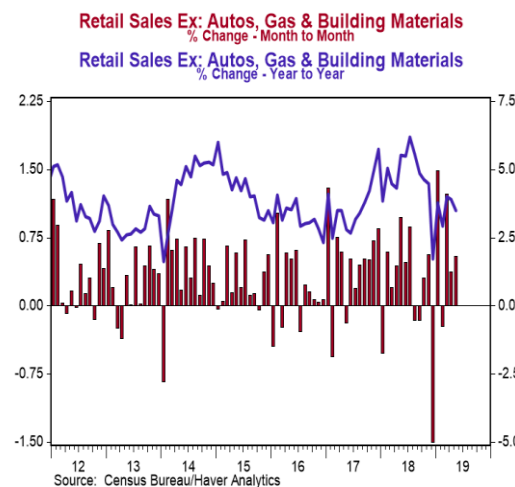
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- Retail sales rose 0.5% in May, (+1.1% including revisions to prior months), vs a consensus expected gain of 0.6%. Retail sales are up 3.2% versus a year ago.
- Sales excluding autos also rose 0.5% in April, beating the consensus expected 0.4% gain. These sales are up 3.2% in the past year. Excluding gas, sales rose 0.6% in May and are up 3.2% from a year ago.
- The rise in sales in May was led by non-store retailers (internet & mail order) and autos. Miscellaneous store retailers and food & beverage stores were the only major categories to show declines.
- Sales excluding autos, building materials, and gas rose 0.5% in May (+1.0% including revisions to prior months). If unchanged in June, these sales will be up at a 6.0% annual rate in Q2 versus the Q1 average.

**Implications:** Retail sales saw healthy growth in May, in addition to significant upward revisions to prior months. Sales for April were originally reported down 0.2% but were revised to a gain of 0.3%. When you pair the upward revision for April with the 0.5% rise in sales in May, retail sales are up a combined 1.1% from prior estimates. Revisions like those are one reason we focus on the trend rather than monthly figures. Remember last December when retail sales declined 1.2% (later revised even lower to -1.6%) and the recession calls rang from the rafters? Then the trend in rising sales returned in the first quarter and has picked up pace in Q2. In fact, since December, retail sales are up at a 7.6% annual rate versus the 3.2% gain in the past year. These numbers are nowhere close to recessionary. For May itself, eleven of the thirteen major categories had higher sales, led by internet & mail order retailers and autos, which rose 1.4% and 0.7%, respectively. Gasoline stations sales moved 0.3% higher as prices at the pump rose in May. “Core” sales, which exclude autos, building materials, and gas stations (the most volatile sectors) were up 0.5% in May, are up at an 8.9% annual rate over the past three months, and are up 3.5% from a year ago. Even if these sales are completely unchanged in June, they’ll be up at a strong 6.0% annual rate in Q2 versus the Q1 average. While the Q2 real (inflation adjusted) GDP reading is likely to come in near 2.0%, a deceleration from Q1, this is not reason for concern. Volatility is perfectly normal from quarter-to-quarter, and the trend in growth remains healthy. Jobs and wages are moving up, companies and consumers continue to benefit from the tax cuts, consumer balance sheets look healthy, and serious (90+ day) debt delinquencies are down substantially from post-recession highs. For these reasons, expect solid gains in retail sales over the coming months. In recent employment news, initial jobless claims rose 3,000 last week to 222,000. Continuing claims rose 2,000 to 1.695 million. These readings suggest solid jobs growth in June after the lull in May. On the inflation front, import prices fell 0.3% and export prices declined 0.2% in May. In the past year, import prices are down 1.5%, while export prices are down 0.7%. Expect higher year-ago comparisons later in 2019 due to the rebound in energy prices.



Source: Census Bureau/Haver Analytics



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Retail Sales <i>All Data Seasonally Adjusted</i>	May-19	Apr-19	Mar-19	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>0.5%</b>	0.3%	1.8%	10.9%	2.9%	3.2%
<b>Ex Autos</b>	<b>0.5%</b>	0.5%	1.4%	9.9%	2.7%	3.2%
<b>Ex Autos and Building Materials</b>	<b>0.0%</b>	0.6%	1.5%	10.7%	3.2%	3.4%
<b>Ex Autos, Building Materials and Gasoline</b>	<b>0.5%</b>	0.4%	1.2%	8.9%	3.1%	3.5%
<b>Autos</b>	<b>0.7%</b>	-0.5%	3.2%	14.7%	3.7%	3.1%
<b>Building Materials</b>	<b>0.1%</b>	-0.6%	0.5%	-0.2%	-2.0%	0.2%
<b>Gasoline</b>	<b>0.3%</b>	2.1%	3.6%	26.9%	3.5%	3.2%

Source: Bureau of Census