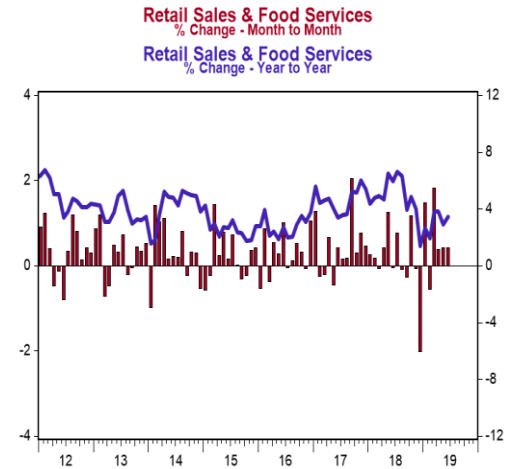


## June Retail Sales

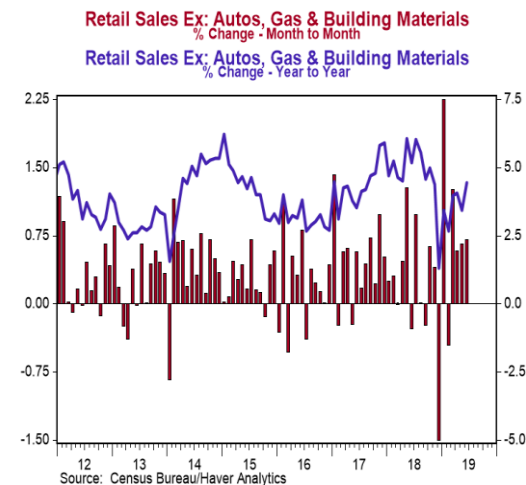
Brian S. Wesbury – Chief Economist  
Robert Stein, CFA – Dep. Chief Economist  
Strider Elass – Senior Economist

- Retail sales increased 0.4% in June, beating the consensus expected gain of 0.2%. Retail sales are up 3.4% versus a year ago.
- Sales excluding autos also rose 0.4% in June, beating the consensus expected 0.1% gain. These sales are up 3.3% in the past year. Excluding gas, sales rose 0.7% in June and are up 3.9% from a year ago.
- The increase in sales in June was led by non-store retailers (internet & mail order), autos and restaurants & bars. Gas station sales were the only major decline.
- Sales excluding autos, building materials, and gas rose 0.7% in June (+1.1% including revisions to prior months). These sales were up at a 8.0% annual rate in Q2 versus the Q1 average.

**Implications:** Tell us again why the Fed is thinking of cutting rates. Add today’s retail sales report to the litany of positive news since the Federal Reserve’s last meeting in June. As we wrote in our [Monday Morning Outlook](#) out yesterday, a truly “data dependent” Fed would not cut rates at the end of the month, like it has signaled and as the financial markets still anticipate. Today’s retail sales report affirms the consumer is doing very well. Sales increased 0.4% in June, beating consensus expectations, and are up 3.4% from a year ago. Eleven of the thirteen major categories had higher sales, led by non-store retailers (think internet & mail order), autos, and restaurants & bars. Non-store sales are up 13.4% from a year ago, sit at record highs, and now make up 12.5% of overall retail sales, also a record. The only significant decline in today’s report was for gas station sales, but that was due to a drop in gas prices. “Core” sales, which exclude autos, building materials, and gas stations (the most volatile sectors) were up 0.7% in June, up 1.1% including revisions to prior months, and are up 4.4% from a year ago. These sales were also up at a strong 8.0% annual rate in Q2 versus the Q1 average. As a result, it now looks like real GDP growth in the second quarter will come in closer to the higher end of the 1.5 – 2.0% range we were previously estimating, with real consumer spending up at about a 4.0% annual rate and real GDP growth held down temporarily by a slowdown in the pace of inventory accumulation. 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 tax cuts, consumer balance sheets look healthy, and serious (90+ day) debt delinquencies are down substantially from post-recession highs. For these reasons, expect continued solid gains in retail sales over the coming months. In other news today, on the inflation front, import prices fell 0.9% and export prices declined 0.7% in May. In the past year, import prices are down 2.0%, while export prices are down 1.6%. We expect these inflation figures to head north in the coming months.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Retail Sales <i>All Data Seasonally Adjusted</i>	Jun-19	May-19	Apr-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>	0.4%	0.4%	0.4%	5.0%	8.2%	3.4%
<b>Ex Autos</b>	0.4%	0.4%	0.6%	5.2%	9.2%	3.3%
<b>Ex Autos and Building Materials</b>	0.0%	0.5%	0.7%	6.2%	10.2%	3.8%
<b>Ex Autos, Building Materials and Gasoline</b>	0.7%	0.7%	0.6%	8.0%	10.6%	4.4%
<b>Autos</b>	0.7%	0.7%	-0.4%	4.0%	4.0%	4.1%
<b>Building Materials</b>	0.5%	-1.5%	-1.0%	-7.6%	-2.5%	-2.5%
<b>Gasoline</b>	-2.8%	-0.8%	1.6%	-7.8%	6.6%	-1.7%

Source: Bureau of Census