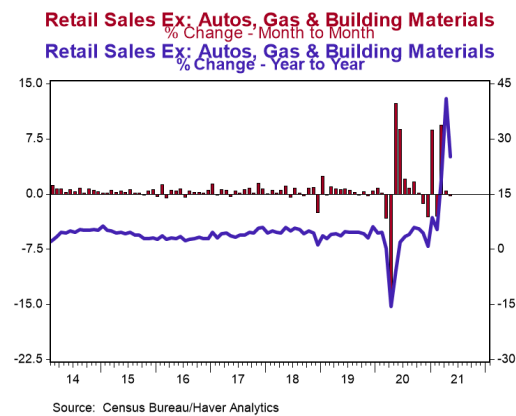
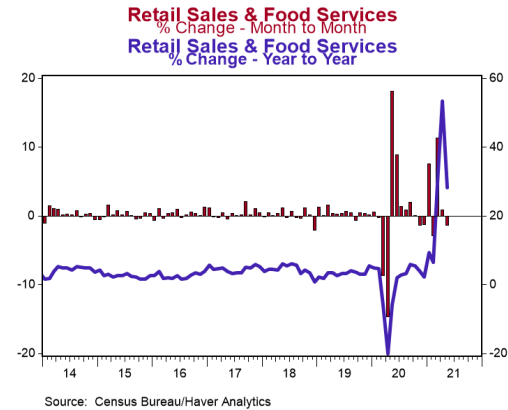


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## May Retail Sales

- Retail sales declined 1.3% in May, but were unchanged including upward revisions to prior months. The consensus expected a decline of 0.8%. Retail sales are up 28.1% versus a year ago.
- Sales excluding autos declined 0.7% in May (+0.8% including revisions to prior months). The consensus expected a gain of 0.4%. These sales are up 26.4% in the past year. Excluding gas, sales fell 1.5% in May, but are up 25.7% from a year ago.
- The drop in sales in May was led by autos, building materials, and general merchandise stores. The largest increase was for restaurants & bars.
- Sales excluding autos, building materials, and gas fell 0.3% in May. If unchanged in June, these sales would be up at a 22.3% annual rate in Q2 versus the Q1 average.

**Implications:** Retail sales dropped 1.3% in May but were revised up substantially for prior months. Including these upward revisions, the level of overall sales in May was roughly unchanged versus what was reported a month ago for April. Eight of thirteen major categories declined in May, with autos leading the way. Still, the level of sales remains extremely robust. Sales are up 28.1% from a year ago, when a great deal of business activity was shut down due to COVID-related restrictions. Another way to look at it is that sales are up 18.0% versus February 2020, which was pre-COVID. “Core” sales, which exclude the most volatile categories of autos, building materials, and gas station sales, declined 0.3% in May, but are up 25.1% from a year ago and up 15.3% versus February 2020. In other words, due to temporary government support, retail sales are running hotter than they would have been in the absence of COVID, even as the level of output (real GDP) is still running lower than it would have been in the absence of COVID. It has not been an even recovery for all major categories, though. For instance, sporting goods stores (+42.2%), non-store retailers (+34.0%), and auto sales (+28.9) have all grown significantly faster than overall retail sales since February 2020. The last category of sales to get above February 2020 levels was restaurants & bars, which finally moved into the green in May up 1.6% from fifteen months ago. Looking ahead, given that overall retail sales are far still far above the pre-COVID trend, we expect a modest trend decline in the year ahead. However, we also expect sales at restaurants & bars to buck that trend and move higher, along with sales of services not counted by the retail trade report, as America gets back toward normal. In the months ahead, the path of retail sales will be a battle between getting back to normal due to vaccines as well as rising wages and jobs, while the temporary and artificial boost from “stimulus” checks wanes.



<b>Retail Sales</b> <i>All Data Seasonally Adjusted</i>	<b>May-21</b>	<b>Apr-21</b>	<b>Mar-21</b>	<b>3-mo % Ch.</b> <b>Annualized</b>	<b>6-mo % Ch.</b> <b>annualized</b>	<b>Yr to Yr</b> <b>% Change</b>
<b>Retail Sales and Food Services</b>	<b>-1.3%</b>	0.9%	11.3%	50.5%	30.7%	28.1%
<b>Ex Autos</b>	<b>-0.7%</b>	0.0%	9.8%	41.2%	26.6%	26.4%
<b>Ex Autos and Building Materials</b>	<b>0.0%</b>	0.2%	9.5%	43.7%	27.7%	27.7%
<b>Ex Autos, Building Materials and Gasoline</b>	<b>-0.3%</b>	0.3%	9.4%	43.6%	24.6%	25.1%
<b>Autos</b>	<b>-3.7%</b>	4.3%	17.0%	90.5%	46.9%	34.8%
<b>Building Materials</b>	<b>-5.9%</b>	-2.3%	14.1%	20.9%	16.5%	10.5%
<b>Gasoline</b>	<b>0.7%</b>	-1.1%	10.1%	44.6%	61.0%	57.0%

Source: Bureau of Census