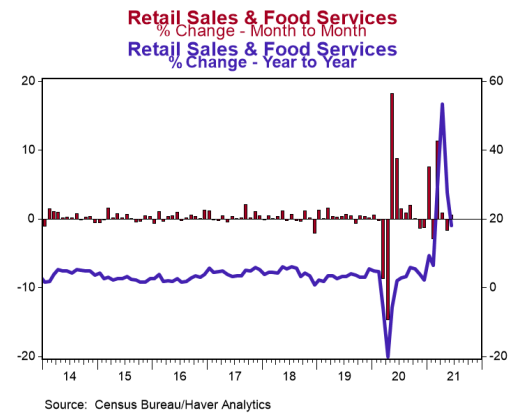


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## June Retail Sales

- Retail sales increased 0.6% in June, (+0.2% including revisions to prior months). The consensus expected a decline of 0.3%. Retail sales are up 18.0% versus a year ago.
- Sales excluding autos rose 1.3% in June (+1.0% including revisions to prior months). The consensus expected a gain of 0.4%. These sales are up 17.6% in the past year. Excluding gas, sales rose 0.4% in June, and are up 16.6% from a year ago.
- The increase in sales in June was led by restaurants & bars, general merchandise stores, gas stations, and non-store retailers (internet & mail-order). The largest decline was for autos.
- Sales excluding autos, building materials, and gas rose 1.3% in June. These sales were up at a 23.9% annual rate in Q2 versus the Q1 average.

**Implications:** Retail sales rose 0.6% in June coming in much higher than the consensus expected decline of 0.3%. Nine of thirteen major categories rose in June, with restaurants & bars leading the way as people are taking advantage of being able to get out and be social again. Overall sales are up a robust 18.0% from a year ago, and some may say this is only due to an easy comparison because a great deal of business activity was shut down due to COVID-related restrictions. But another way to look at it is that sales are up 18.2% versus February 2020, which was pre-COVID. “Core” sales, which exclude the most volatile categories of autos, building materials, and gas station sales, rose 1.3% in June, and are up 16.4% from a year ago and up 16.5% 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 (+39.2%), non-store retailers (+34.1%), and auto sales (+25.2%) have all grown significantly faster than overall retail sales since February 2020. The last category of sales to get above February 2020 levels were restaurants & bars, which finally moved into the green in April and are now up 6.6% from sixteen 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 a number of opposing factors. Rising wages, jobs and inflation will all be tailwinds for retail sales, while the temporary and artificial boost from “stimulus” checks waning, along with the end to overly excessive jobless benefits will be headwinds.



<b>Retail Sales</b> <i>All Data Seasonally Adjusted</i>	<b>Jun-21</b>	<b>May-21</b>	<b>Apr-21</b>	<b>3-mo % Ch.</b> <i>Annualized</i>	<b>6-mo % Ch.</b> <i>annualized</i>	<b>Yr to Yr</b> <i>% Change</i>
<b>Retail Sales and Food Services</b>	<b>0.6%</b>	-1.7%	0.9%	-1.1%	34.4%	18.0%
<b>Ex Autos</b>	<b>1.3%</b>	-0.9%	-0.1%	1.3%	34.7%	17.6%
<b>Ex Autos and Building Materials</b>	<b>0.0%</b>	-0.5%	0.3%	4.8%	36.7%	18.3%
<b>Ex Autos, Building Materials and Gasoline</b>	<b>1.3%</b>	-0.6%	0.5%	4.8%	35.8%	16.4%
<b>Autos</b>	<b>-2.0%</b>	-4.6%	4.4%	-9.4%	33.3%	19.5%
<b>Building Materials</b>	<b>-1.6%</b>	-5.3%	-3.3%	-33.9%	11.6%	6.8%
<b>Gasoline</b>	<b>2.5%</b>	0.2%	-1.4%	5.4%	44.9%	37.1%

Source: Bureau of Census