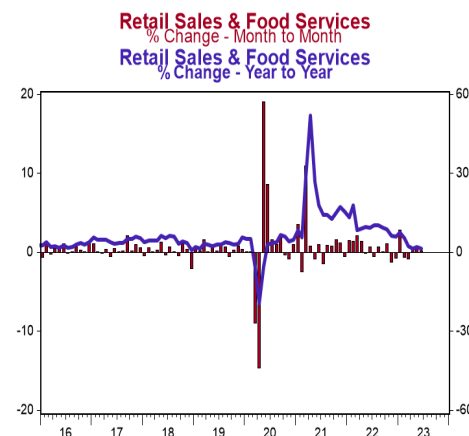


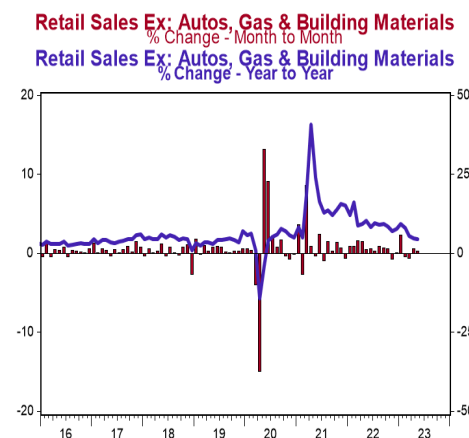
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June Retail Sales

- Retail sales rose 0.2% in June, (+0.4% including revisions to prior months), lagging the consensus expected gain of 0.5%. Retail sales are up 1.5% versus a year ago.
- Sales excluding autos increased 0.2% in June (+0.3% including revisions to prior months) versus a consensus expected +0.3%. These sales are up 0.6% in the past year.
- The largest increases in June were for nonstore retailers (internet & mail order) and autos. The largest declines were for gas stations, grocery stores, and building materials.
- Sales excluding autos, building materials, and gas rose 0.5% in June, and were up 0.8% including revisions to prior months. These sales were up at a 2.2% annual rate in Q2 versus the Q1 average.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Implications: Retail sales lagged consensus expectations in June, rising only 0.2% for the month. The slight gain in June was largely powered by nonstore retailers (think internet and mail order), with an assist from an increase in auto sales. The largest decline in June was again at gas stations, where, due to lower seasonal prices, sales are down 22.7% from a year ago. Look for a rebound in July due to higher fuel prices so far this month. Other areas of relative weakness were at grocery stores and for building materials, garden equipment and supply dealers. “Core” sales, which exclude the most volatile categories of autos, building materials, and gas stations, and are an important measure for estimating GDP, rose 0.5% in June and are up 4.6% from a year ago. These sales were also up at a 2.2% annual rate in Q2 versus the Q1 average. Plugging this into our models suggests a moderate gain in “real” (inflation-adjusted) consumer spending (goods and services, combined) in Q2 at about a 1.2% annual rate. That’s well faster than growth in real average weekly earnings, which were unchanged in Q2, and shows consumers having to dip into COVID savings in order to maintain spending levels. In the last twelve months, overall retail sales are up only 1.5%, clearly lagging inflation. Sales at restaurants & bars, the only look at the service sector we get in this report, rose 0.1% in June. These sales are up a healthy 8.4% from a year ago versus the overall retail gain of 1.5%, showing how consumer spending has continued to shift toward services. However, the relative slowness in June may be a sign that this shift is nearly complete among restaurants and bars. Our view remains that the tightening in monetary policy since last year will eventually deliver a recession in the next twelve months. Expect some deterioration in retail sales through the rest of the year.

Retail Sales <i>All Data Seasonally Adjusted</i>	Jun-23	May-23	Apr-23	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.2%	0.5%	0.4%	4.7%	4.8%	1.5%
Ex Autos	0.2%	0.3%	0.3%	3.1%	2.6%	0.6%
Ex Autos and Building Materials	0.0%	0.2%	0.4%	3.8%	3.4%	1.1%
Ex Autos, Building Materials and Gasoline	0.5%	0.5%	0.6%	6.5%	5.7%	4.6%
Autos	0.3%	1.5%	0.9%	11.4%	14.7%	5.3%
Building Materials	-1.2%	1.4%	-0.1%	0.5%	-5.7%	-3.2%
Gasoline	-1.4%	-2.1%	-1.0%	-16.9%	-14.2%	-22.7%

Source: Bureau of Census