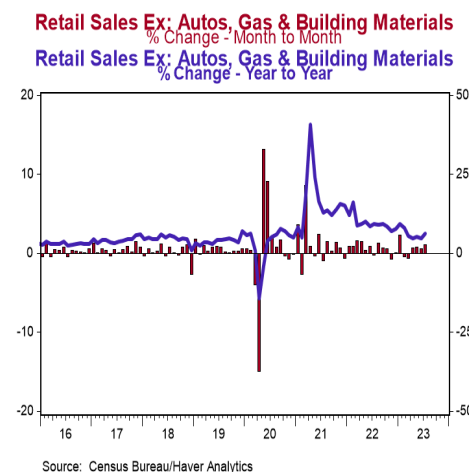
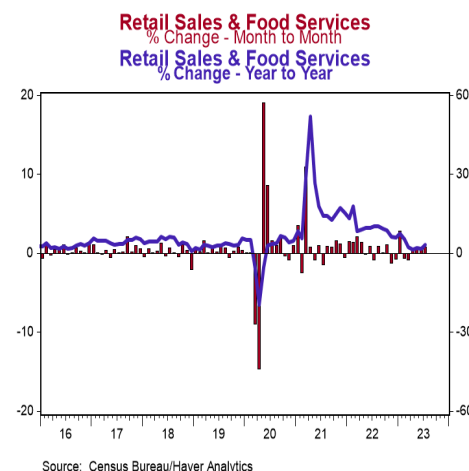


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July Retail Sales

- Retail sales rose 0.7% in July (+1.0% including revisions to prior months), beating the consensus expected gain of 0.4%. Retail sales are up 3.2% versus a year ago.
- Sales excluding autos increased 1.0% in July (+1.2% including revisions to prior months) easily beating a consensus expected 0.4% gain. These sales are up 2.2% in the past year.
- The largest increases in July were for nonstore retailers (internet & mail order) and restaurants & bars. The largest declines were for autos and furniture & electronics stores.
- Sales excluding autos, building materials, and gas rose 1.1% in July, and were up 1.4% including revisions to prior months. If unchanged in August/September, these sales will be up at a 7.0% annual rate in Q3 versus the Q2 average.



Implications: Consumer spending remained strong in July. Retail sales rose 0.7% for the month, beating consensus expectations, and were revised higher for prior months. The gain in July was powered by nonstore retailers (think internet and mail order) boosted by a record Amazon Prime Day, with an assist from a robust increase at restaurants & bars. The largest declines in July were for autos and furniture & electronics stores. Sales at restaurants & bars, the only look at the service sector we get in this report, rose a whopping 1.4% in July. These sales are up a healthy 11.9% from a year ago versus the overall retail gain of 3.2%, showing how consumer spending has continued to shift back toward services. “Core” sales, which exclude the most volatile categories of autos, building materials, and gas stations, and are important for estimating GDP, rose 1.1% in July, were revised higher for prior months, and are up 6.2% from a year ago. Even if unchanged in August and September, these sales will be up at a 7.0% annual rate in Q3 compared to the Q2 average. However, we think consumers are continuing to dip into COVID savings, which were boosted by temporary and artificial government stimulus payments, in order to maintain recent spending levels. This cannot last, and these extra “stimulus savings” should run out by year end. In the last twelve months, overall retail sales are up 3.2%, basically matching inflation meaning “real” retail sales are unchanged. 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 later this year. In other news today, the Empire State Index, a measure of New York factory sentiment, fell to -19.0 in August from +1.1 in July. Also today, import prices rose 0.4% in July while export prices increased 0.7%. In the past year, import prices are down 4.4% while export prices are down 7.9%.

Retail Sales <i>All Data Seasonally Adjusted</i>	Jul-23	Jun-23	May-23	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.7%	0.3%	0.7%	7.0%	1.1%	3.2%
Ex Autos	1.0%	0.2%	0.4%	6.6%	1.1%	2.2%
Ex Autos and Building Materials	0.0%	0.4%	0.4%	7.2%	2.0%	2.8%
Ex Autos, Building Materials and Gasoline	1.1%	0.6%	0.7%	9.9%	4.0%	6.2%
Autos	-0.3%	0.7%	1.7%	8.8%	1.1%	7.6%
Building Materials	0.7%	-1.5%	1.4%	2.4%	-5.8%	-3.3%
Gasoline	0.4%	-1.3%	-2.9%	-14.5%	-14.2%	-20.8%

Source: Bureau of Census