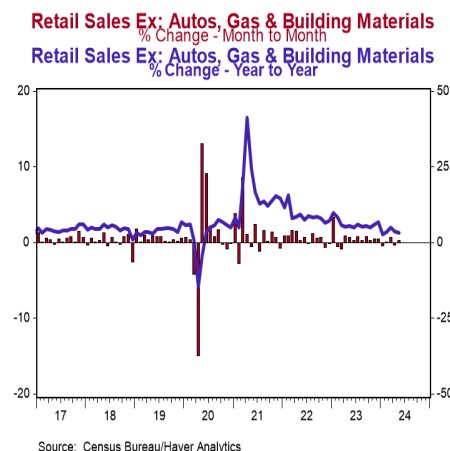
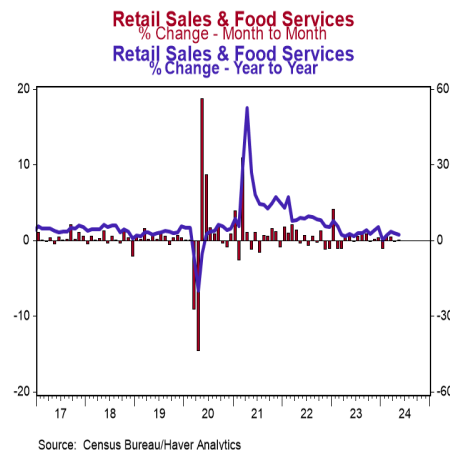


May Retail Sales

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- Retail sales rose 0.1% in May (-0.3% including revisions to prior months), lagging the consensus expected gain of 0.3%. Retail sales are up 2.3% versus a year ago.
- Sales excluding autos declined 0.1% in May (-0.7% including revisions to prior months), lagging the consensus expected +0.2%. These sales are up 2.5% in the past year.
- The largest increases in May were for autos and nonstore retailers (internet and mail-order). The largest decline was for gas stations.
- Sales excluding autos, building materials, and gas rose 0.2% in May but were unchanged including revisions to prior months. If unchanged in June, these sales will be up at a 0.9% annual rate in Q2 versus the Q1 average.



Implications: Another weak report on the US consumer today with retail sales lagging consensus expectations for the second straight month while prior months were revised lower. Factoring in revisions, retail sales *declined* 0.3% in May versus a consensus expected *gain* of 0.3%. Sales are down at a 0.1% annualized rate through the first five months of 2024, a sign that US consumers are finally starting to bend under the strain of higher borrowing costs after depleting their artificial stimulus saved up during the COVID years. Looking at the details, eight out of thirteen major categories rose in May, led by 0.8% monthly increases for autos and nonstore retailers (think internet and mail-order). That was partially offset by a pullback in sales at gas stations as gasoline prices fell. Stripping out gas along with the often-volatile categories for autos and building materials, “core” sales rose 0.2% but were unchanged after factoring in downward revisions to previous months. Core sales – which are crucial for estimating GDP – look to be softening of late, up at just a 0.1% annualized rate through the first five months of 2024. Moreover, sales at restaurants and bars – the only glimpse we get at services in the retail sales report – declined 0.4% in May and has been notably weakening this year: down at a 2.3% annualized rate through the first five months of 2024. We will be watching this category closely in the months to come as services spending was a lifeline for the US economy in 2023. Finally, it's important to remember that a key driver of overall spending has been inflation. While overall retail sales are up 2.3% in the last year, that is no longer keeping up with the pace of inflation; “real” (inflation-adjusted) retail sales are down 0.9% in the last year and have remained stagnant for three years after peaking in April 2021. It has been 40 years since the US had an inflation problem, so investors should be aware that it can distort data. Our view remains that the tightening in monetary policy since 2022 will eventually weaken the US economy.

Retail Sales <i>All Data Seasonally Adjusted</i>	May-24	Apr-24	Mar-24	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.1%	-0.2%	0.5%	1.5%	0.7%	2.3%
Ex Autos	-0.1%	-0.1%	0.6%	1.6%	0.5%	2.5%
Ex Autos and Building Materials	0.0%	-0.1%	0.7%	2.1%	0.9%	3.1%
Ex Autos, Building Materials and Gasoline	0.2%	-0.4%	0.7%	2.2%	1.0%	3.3%
Autos	0.8%	-0.4%	-0.1%	1.1%	1.4%	1.3%
Building Materials	-0.8%	0.3%	-0.2%	-2.7%	-3.9%	-4.3%
Gasoline	-2.2%	1.9%	0.8%	1.4%	0.3%	1.6%

Source: Bureau of Census