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US retail sales (June): Headline decelerated, but control group still resilient

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Retail Sales (monthly % chg, unless otherwise noted)	June	May	Apr	Mar	Feb	June YoY SA
Retail & food service	0.2%	1.0%	0.7%	1.7%	0.9%	6.7%
• Ex-autos	-0.2%	1.0%	0.9%	2.0%	0.9%	6.9%
Control Group[1]	0.5%	0.8%	0.6%	0.9%	0.9%	6.4%
Motor vehicles, parts	1.9%	1.1%	-0.4%	0.6%	1.0%	5.7%
Furniture	0.0%	1.6%	-1.2%	2.4%	-0.4%	0.0%
Electronics	0.8%	-0.2%	1.6%	1.5%	1.2%	8.6%
Building materials	0.1%	-0.3%	0.1%	1.3%	0.5%	3.5%
Food, beverages	-0.2%	0.2%	0.6%	1.1%	-1.1%	1.0%
Health, personal care	-0.8%	0.4%	-0.2%	1.3%	2.0%	0.2%
Gasoline stations	-5.3%	2.6%	3.7%	14.2%	1.7%	19.8%
Clothing	-0.3%	0.9%	-0.5%	0.2%	2.6%	4.8%
Sporting goods	1.3%	0.8%	2.6%	0.3%	2.9%	15.2%
General merchandise	0.1%	0.4%	0.0%	1.6%	0.1%	3.5%
• Department stores	0.1%	1.0%	-0.2%	4.9%	3.0%	3.7%
Miscellaneous	-0.3%	3.3%	-1.0%	-1.8%	1.8%	6.0%
Non-store retailers	1.9%	1.4%	1.5%	0.8%	1.8%	14.2%
Eating, drinking	0.1%	1.2%	1.0%	0.0%	0.7%	3.8%

Source: Haver Analytics.

- Retail sales slowed in June, advancing 0.2% m/m following a 1.0% m/m advance in May (revised up from 0.9%), in line with consensus expectations. Year-over-year retail sales are still up 6.7%, although that's a modest deceleration from 7.3% in May. The monthly slowdown was largely driven by a contraction in sales at gasoline stations (-5.3% m/m) due to lower prices in June. Nonstore retailers grew strongly (1.9% m/m), likely supported by a large online retailer moving their usual July sale into June. Notable monthly declines included health and personal care stores (-0.8% m/m), miscellaneous store retailers (-0.3% m/m) and clothing (-0.3% m/m), while notable increases included sporting goods (1.3% m/m) and motor vehicle and parts dealers (1.9% m/m). Restaurants (0.1% m/m), the only service category in retail sales, posted a small increase. The control group sales (ex. gasoline, restaurants, building materials, and autos) that feeds more directly into non-auto goods consumption in GDP posted a 0.5% m/m increase, in line with the consensus expectation. The headline deceleration in June was driven in part by lower gasoline prices, while the control group still grew at a healthy pace. That suggests that American consumers appear to still be spending despite elevated inflation and easing wage growth. Higher tax refunds this year may have provided a

[1] This calculation removes food services, gas, building materials & autos from total retail & food service sales.

temporary buffer for spending but the support from this should fade in the coming months. This means households should start to feel more of the pinch from inflation soon which could lead to a pull back in spending in the coming months.

- The 0.2% monthly growth in headline retail sales was driven largely by increases in motor vehicle and parts dealers and non-store retailers, with the latter being likely flattered by online sales in the month. Most other components besides gasoline station posted more modest monthly increases. Restaurant spending was up only 0.1% m/m, which was surprisingly soft given the FIFA World Cup. The control group retail sales (ex. gasoline, restaurants, building materials, and autos) still posted a healthy 0.5% m/m growth, the sixth consecutive monthly increase.

Implications & actions

Re: Economic forecast — The steady monthly growth of the control group retail sales suggests that US consumers continue to be resilient despite easing wage growth and sticky inflation pressures. Higher tax refunds this year and steady job gains may have also supported consumption. Headwinds to consumption still exists, as the effect of higher tax refunds should start to fade in the coming months which could constrain income growth and spending power of households. The savings rate was already at the lowest level in nearly four years in May, suggesting that households were already dipping more into savings to remain consumptions. With June CPI and retail sales, we forecast monthly growth for real consumption to be about 0.1% m/m in June, which is still consistent with an expected consumption growth of around 2% (saar) for Q2.

Re: Markets — This release was in line with consensus expectations so market reaction was muted.

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