



# Economic Flash!

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## US Retail Sales End Q2 on a Positive Note

Summary of the June US retail sales report from the Commerce Department

	Jun	May	Apr	Mar	Feb	Jun YoYSA	Jun YoYNSA
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Retail & food ser	0.5%	1.3%	0.3%	0.7%	0.1%	6.6%	6.3%
Ex-autos	0.4%	1.4%	0.4%	0.4%	0.4%	7.1%	6.7%
Ex-autos & gas	0.3%	1.3%	0.4%	0.5%	0.4%	5.6%	5.1%
Ex-bld mat, auto							
dlrs, gas	0.2%	1.1%	0.5%	0.6%	0.3%	5.5%	5.3%
Ex-food serv & veh	0.2%	1.4%	0.2%	0.5%	0.3%	7.0%	6.3%
	Jun	May	Apr	Mar	Feb	Jan	Jun YoYNSA
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Motor veh, parts	0.9%	0.8%	0.2%	1.9%	-1.1%	-0.9%	4.7%
Furniture	0.6%	-1.4%	2.7%	0.7%	0.2%	0.1%	4.4%
Electronics	-0.4%	0.4%	0.6%	0.5%	-0.9%	1.3%	1.6%
Building materials	0.8%	2.5%	-0.6%	-1.2%	1.4%	-1.5%	2.8%
Food, beverages	-0.3%	0.2%	0.4%	0.4%	0.2%	-0.2%	4.2%
Health, personal care	2.2%	1.3%	1.2%	1.0%	-0.6%	-0.1%	5.8%
Gasoline stations	1.0%	3.0%	0.4%	0.0%	0.2%	1.6%	20.8%
Clothing	-2.5%	2.9%	1.5%	0.1%	0.5%	1.0%	4.6%
Sporting goods	-3.2%	-0.9%	-0.6%	0.7%	4.2%	-1.1%	-3.7%
General merchandise	-0.8%	1.2%	-0.5%	0.4%	0.1%	0.0%	3.1%
Department stores	-1.8%	1.4%	0.5%	0.1%	-0.2%	-0.5%	0.4%
Miscellaneous	0.2%	1.2%	0.0%	-1.1%	-1.5%	2.8%	5.7%
Non-store retailers	1.3%	0.4%	1.2%	0.9%	1.1%	-1.2%	7.3%
Eating, drinking	1.5%	2.6%	-0.2%	1.1%	0.5%	0.6%	9.0%

Source: Bloomberg

- Today's on-consensus headline retailing print for June, in combination with sizeable upward revisions to the prior month, still point to a healthy rebound in consumption in Q2. Along with robust business investment and exports, that should support above-4% GDP growth in the quarter. Going forward, the lagged effects of tax cuts on household spending, along with tightening labor markets, will continue to support robust consumption in Q3 before higher interest rates start to bite.
- Headline retail sales advanced 0.5% in June, matching the consensus forecast. The decent print was reinforced by a five-tick upward revision to the prior month, which left retail sales for Q2 up

7.9% on a seasonally-adjusted annual basis, an acceleration from the 1.8% pace of expansion seen in Q1. The pace of real retail sales also rebounded after contracting in Q1.

- Ex-auto sales rose by 0.4%, helped by higher gasoline receipts (1.0%) on the month and a rise in building materials spending (0.8%). Higher energy prices do not appear to be preventing spending meaningfully in other categories at this point, a sign that wage increases and tax cuts are helping mitigate that effect.
- The core group (ex. gasoline, autos, building materials and restaurants) was flat on the month but that came on top of a three-tick upward revision to the prior month (now 0.8% vs. 0.5% previously). The 3-month average annualized pace of core sales increased to 6.5%, a marked acceleration from 2.1% seen in Q1. At the same time, softness in a few categories appears to be transitory after last month's surge. Indeed, clothing store purchases still look healthy on a trend basis despite their reversal of fortunes in June.
- Auto purchases have been holding up well in the face of higher interest rates, seeing the yearly trend in purchases rise steadily throughout the quarter. That said, any tariffs on vehicles could work to limit gains in this segment going forward.
- Non-store retailing, a gauge of online sales, expanded robustly (1.3%) to outpace gains in the headline series for the second consecutive month, reflecting secular gains.

## Implications & Actions

**Re: Economic Forecast** – After a weak Q1, today's retail figures confirm that consumers will play a key role in supporting above-4% GDP growth in Q2, along with healthy business investment and exports. Helped by the lagged effects of tax cuts feeding through to household spending along with wage increases, consumers appear resilient in the face of higher gas costs and interest rates, which we don't see denting consumption until the end of the year.

**Re: Market** – A positive end to the quarter for retailing saw the USD rise while fixed income sold off.

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