

U.S. Data Review

- Retail sales: a mixed, but generally favorable, performance in July

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Retail Sales

Headline retail sales were unchanged in July, essentially matching the consensus view of a gain of 0.1 percent. Results in the prior two months were revised slightly higher, with the level of activity in June 0.3 percent firmer than first reported. Retail activity in recent months has been difficult to interpret because of the influence of rising prices, but a comparison of key components of the retail report and CPI leads us to suspect that July spending involved gains in real terms.

We viewed sales at gasoline stations in a positive light. Although nominal activity fell 1.8 percent, this shift would translate to a sizeable gain in real terms (gasoline prices in the CPI fell 7.7 percent in July). With prices falling below \$5 per gallon, individuals apparently got out and about. Sales outside of autos and gasoline also were firm, increasing 0.7 percent from upwardly-revised data in the prior two months (the level of activity excluding autos and gas in June was 0.9 percent firmer than first reported). With the core CPI up “only” 0.3 percent in July, sales ex-autos and gasoline also probably advanced in real terms.

The report was not uniformly favorable. The auto component stood out on the soft side, falling 1.6 percent in July. This area showed signs of improvement in early 2022 after chip shortages dented activity in 2021, but it has drifted lower in the past five months.

Sales at clothing and general merchandise stores lacked vigor (off 0.6 percent and 0.7 percent, respectively). Sales at food and beverage stores ticked higher in July (0.2 percent), but the change almost certainly reflected higher prices (the food at home component of the CPI rose 1.3 percent in July).

While the report contained pluses and minuses, we viewed the pluses as having the edge. The real gains noted above lead us to expect that consumer spending will make a positive contribution to GDP growth in Q3, with data in hand suggesting an advance of 1.5 to 2.0 percent.

Retail Sales -- Monthly Percent Change

| | Mar-22 | Apr-22 | May-22 | Jun-22 | Jul-22 |
|---------------------|--------|--------|--------|--------|--------|
| Total | 1.2 | 0.7 | 0.4 | 0.8 | 0.0 |
| Ex.-Autos | 2.0 | 0.5 | 1.3 | 0.9 | 0.4 |
| Ex.-Autos, Ex.-Gas | 0.9 | 0.7 | 0.8 | 0.7 | 0.7 |
| Retail Control* | 0.9 | 0.9 | 0.8 | 0.7 | 0.6 |
| Autos | -2.2 | 1.8 | -3.4 | 0.5 | -1.6 |
| Gasoline | 10.7 | -1.3 | 5.0 | 2.5 | -1.8 |
| Clothing | 2.7 | 0.0 | -1.4 | 0.9 | -0.6 |
| General Merchandise | 1.3 | -0.6 | 0.0 | -0.4 | -0.7 |
| Nonstore** | -1.2 | 1.1 | 2.7 | 0.9 | 2.7 |

* Retail sales excluding sales from motor vehicle dealers, gasoline stations, and building materials, garden equipment, and supply dealers.

** Primarily online and catalog sales; also includes sales by fuel-oil dealers.

Source: U.S. Census Bureau via Haver Analytics