U.S. Data Review

- Retail sales: firm spending with a notable contribution from online shopping
- Results suggest a pickup in Q3 consumer spending from the 1.6 percent pace in Q2

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Retail Sales

- Retail sales increased 0.7 percent in July from upward revised readings in the prior two months. The results signal that consumers remained active in the opening month of the third quarter.
- Sales at motor vehicle and parts dealers slipped 0.3 percent, but the decline followed three consecutive increases and the level of activity remained in the upper end of the recent range.
- The gasoline component rose modestly after declines in the prior eight months. The pickup held up after adjusting for inflation using the gasoline component of the CPI. However

Retail Sales -- Monthly Percent Change

	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Total	-0.9	0.4	0.7	0.3	0.7
ExAutos	-0.8	0.3	0.4	0.2	1.0
ExAutos, ExGas	-0.8	0.5	0.8	0.4	1.0
Retail Control*	-0.6	0.6	0.7	0.6	1.1
Autos	-1.3	0.9	1.7	0.7	-0.3
Gasoline	-0.9	-1.0	-2.9	-1.3	0.4
Clothing	-1.3	0.1	0.2	0.0	1.0
General Merchandise	-2.5	0.8	0.4	0.0	0.8
Nonstore**	0.0	1.2	1.2	1.5	1.9

* 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

component of the CPI. However, the change in real sales was not large (+0.2 percent) and real spending on gasoline was off approximately 1.2 percent from last July.

- Sales excluding autos and gasoline posted strong results with a jump of 1.0 percent. Activity at furniture and electronic and appliance stores added to their recent disappointing performance (off 1.8 percent and 1.3 percent, respectively), but many other areas recorded firm performances. Standing out, activity at nonstore retailers (mostly online) jumped 1.9 percent, sales at sporting goods outlets rose 1.5 percent, and outlays at restaurants increased 1.4 percent.
- The surge of 1.9 percent at nonstore retailers almost certainly reflected a contribution from brisk activity for Amazon Prime Day, but it was not the sole factor. Sales at nonstore retailers had flattened out last fall and into the spring of 2023, but the upward trend reaccelerated in the second quarter with average monthly gains of 1.3 percent in the April-to-June period. The July advance added an accent to the recent performance.
- The results on retail sales for July led us to reassess somewhat our outlook for consumer spending in the summer and early fall. After growth of real consumer spending of 1.6 percent in Q2, we suspected some spending fatigue on the part of households as rapid inflation whittled away accumulated savings and as credit card balances swelled to cover gaps in income. However, consumers appear resilient in the face of these challenges. We hesitate to draw broad conclusions from a singular data point one that excludes most spending on services but we're now anticipating growth of real consumer spending in Q2 closer to 2.5 percent rather than the 1.5 percent assumed in our preliminary forecast, a performance in-line with solid underlying economic growth.

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