

# U.S. Data Review

- Retail sales: firm performance in June

**Lawrence Werther**

Daiwa Capital Markets America  
212-612-6393  
lawrence.werther@us.daiwacm.com

## Retail Sales

- Headline retail sales in June were approximately unchanged from an upward-revised reading in the prior month (a pickup of 0.3 in May versus previously reported growth of 0.1 percent), exceeding the Bloomberg median expectation of a contraction of 0.3 percent. Moreover, much of the constraint on the headline in June was in the automobile and gasoline components; sales excluding these areas rose 0.8 percent (versus +0.2 percent Bloomberg median). The results were mildly surprising given deterioration in consumer sentiment since the spring and an ongoing upward drift in consumer delinquency rates (mostly for credit cards and automobile loans). However, even amid signs of stress, spending has proved resilient in the closing month of Q2.

### Retail Sales -- Monthly Percent Change

	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Total	0.7	0.5	-0.2	0.3	0.0
Ex.-Autos	0.3	0.6	0.1	0.1	0.4
Ex.-Autos, Ex.-Gas	0.2	0.6	-0.1	0.3	0.8
Retail Control*	0.0	0.9	-0.3	0.4	0.9
Autos	2.2	-0.1	-1.0	1.0	-2.0
Gasoline	1.9	0.8	1.6	-2.1	-3.0
Clothing	0.0	-2.4	2.3	1.2	0.6
General Merchandise	0.4	0.9	-0.9	0.1	0.4
Nonstore**	-0.7	2.5	-1.3	1.1	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

- Weakness in the auto component (which fell 2.0 percent) was expected, as new vehicle sales for June dropped to 15.3 million annual rate from 15.9 million in May (-4.0 percent). On the point, the soft performance may also be discounted to a degree as a recent cyber attack on auto dealers was identified by industry journals as curtailing activity. With the reversal of this (presumably isolated) issue, sales could rebound closer to the 15.7 million average pace in the previous three months.
- Sales at gasoline stations were the other notable soft area in June (-3.0 percent). That said, the drop appears to be the result of lower prices rather than a decline in gasoline consumption. Adjusting nominal sales by the gasoline component of the CPI (which fell 3.8 percent in June) suggests an advance of 0.8 percent in real activity – a markedly different performance than implied by the nominal decline.
- Sales excluding autos and gasoline were firm (+0.8 percent). Activity at sporting goods, hobby, musical instrument, and book outlets dipped (-0.1 percent) and sales at food stores increased modestly (+0.1 percent), but other areas posted favorable increases. For example, activity at nonstore merchants (mostly online) jumped 1.9 percent, spending at healthcare establishments rose 0.9 percent, and sales at clothing store rose 0.6 percent.
- With respect to GDP, the retail control group (sales ex autos building supplies and gasoline stations) correlates with real goods outlays. This area rose 0.9 percent in June to close out the quarter on a firm note. In context with other data on consumer outlays, we expect real consumer spending in the GDP accounts to register growth in the range of 1 ¾ to 2.0 percent in Q2.

This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.