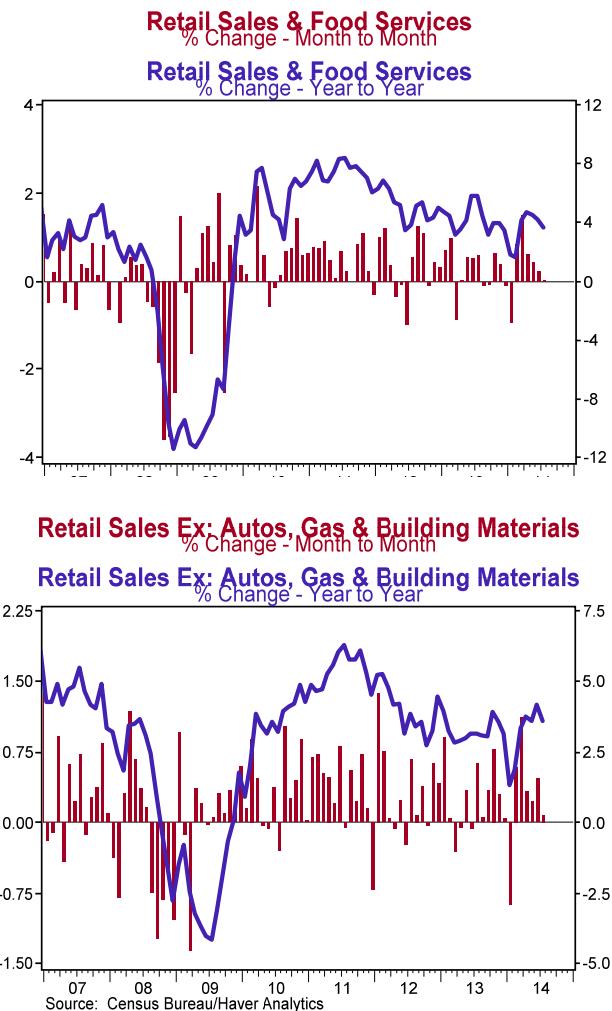


## July Retail Sales

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- Retail sales were unchanged in July, coming in below the consensus expected 0.2% gain. Sales are up 3.7% versus a year ago.
- Sales excluding autos increased 0.1% in July, missing the consensus expected a gain of 0.4%. These sales are up 3.1% in the past year.
- July saw small gains in some categories, where food and beverage stores was the strongest, were offset by small declines in other categories where general merchandise stores were the weakest.
- Sales excluding autos, building materials, and gas were up 0.1% in July. If unchanged in August and September, these sales will be up at a 2.0% annual rate in Q3 versus the Q2 average.

**Implications:** Retail sales were unchanged in July, ending a five month string of gains, and coming in below consensus expectations. There were no categories of sales with big gainers or any with big losers - a pretty blah report all around. Even though retail sales were flat in July, sales continue to grow at a healthy clip from a year ago, up 3.7%. Nonetheless, they have slowed recently. Over the past six months retail sales are up at a 7.6% annual rate, but over the past 3 months, sales are up 2.8% at an annual rate. While it may seem that the Plow Horse is slowing once again, we think this slowdown is temporary, especially given the fact that employment continues to improve. "Core" sales, which exclude autos, building materials and gas, increased 0.1% in July and have been positive in twelve of the last thirteen months. These sales are a key input into the GDP data and if unchanged in August and September, these sales will grow 2.0% at an annual rate in Q3 versus Q2. Once we include other spending (on services and durables), our expectation is that "real" (inflation-adjusted) consumer spending, goods and services combined, will rise at a 2.5% annual rate in Q3.



Retail Sales All Data Seasonally Adjusted	Jul-14	Jun-14	May-14	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
<b>Retail Sales and Food Services</b>	<b>0.0%</b>	0.2%	0.4%	2.8%	7.6%	3.7%
<b>Ex Autos</b>	<b>0.1%</b>	0.4%	0.4%	3.4%	5.7%	3.1%
<b>Ex Autos and Building Materials</b>	<b>0.1%</b>	0.3%	0.3%	2.7%	5.0%	2.9%
<b>Ex Autos, Building Materials and Gasoline</b>	<b>0.1%</b>	0.5%	0.2%	3.2%	5.9%	3.6%
<b>Autos</b>	<b>-0.2%</b>	-0.3%	0.7%	0.6%	15.8%	6.0%
<b>Building Materials</b>	<b>0.2%</b>	1.0%	1.2%	10.1%	12.1%	5.1%
<b>Gasoline</b>	<b>0.1%</b>	-0.8%	0.5%	-0.9%	-0.3%	-1.2%

Source: Bureau of Census