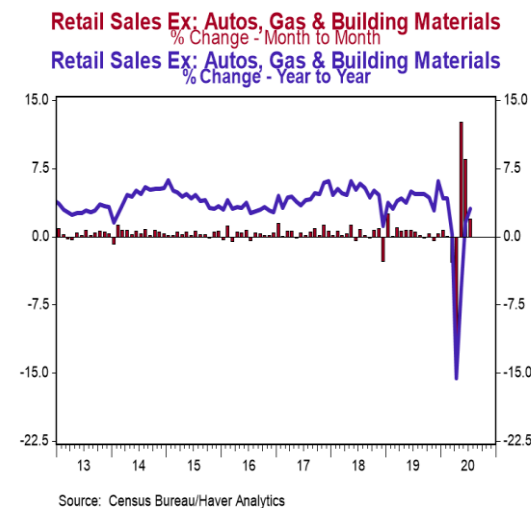
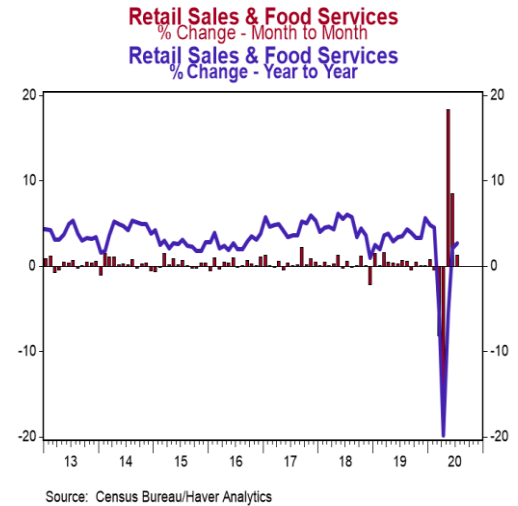


July Retail Sales

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist

- Retail sales rose 1.2% in July (+2.2% including revisions to prior months). The consensus expected an increase of 2.1%. Retail sales are up 2.7% versus a year ago.
- Sales excluding autos rose 1.9% in July (+3.0% including revisions to prior months). The consensus expected an increase of 1.3%. These sales are up 1.9% in the past year. Excluding gas, sales rose 0.9% in July, and are up 4.3% from a year ago.
- The increase in sales in July was led by restaurants & bars, gas stations, and electronic & appliance stores. The largest decline was for autos.
- Sales excluding autos, building materials, and gas rose 1.9% in July. If unchanged in August/September, these sales will be up at a 54.9% annual rate in Q3 versus the Q2 average.

Implications: Another solid month for retail sales in July, growing 1.2% on the back of an upwardly revised 8.4% gain in June. When you include revisions, retail sales rose 2.2%. Just three months ago, retail sales were down 19.9% from a year ago; now, in July, retail sales are up 2.7% from July 2019. For some more perspective: from February (before the COVID shutdowns started) to the bottom in April, retail sales fell 21.7%. Now, with the increase in July, we are 1.7% higher than the February mark, meaning retail sales have seen a full V-shaped recovery. Nine of thirteen major categories had gains in July, with the leaders continuing to be the sectors that were hit hardest during the shutdown. For example, restaurants & bars fell by 54.1% from February to April and lead the way higher in July up 5% from last month and are now up 74.7% since the April bottom. Sales at gas stations rose 6.2% in July, while sales at electronic & appliance stores increased 22.9%. “Core” sales, which exclude the most volatile categories of autos, building materials, and gas station sales, rose 1.9% in July, and are now up 3.0% from a year ago. While the data are improving (virtually across the board), the second quarter for real GDP showed the steepest drop in real GDP for any quarter since the immediate aftermath of World War II. What matters right now is the path forward, and we have started down that path at a healthy clip. In other news yesterday the employment front, initial jobless claims declined to 963,000 last week, down 228,000 from the week before, the first reading below one million in over 20 weeks. Continuing claims, which lag initial claims by a week, declined 604,000 to a reading of 15.486 million. These figures suggest the rebound in the labor market continues in August, although it’s far from fully healed. Also, yesterday on the inflation front, import prices increased 0.7% in July, as fuel led the way rising 6.9%, while nonfuel imports rose 0.2%. Meanwhile, export prices increased 0.8%, with prices rising for both agricultural and nonagricultural exports. In the past year, import prices are down 3.3%, while export prices are down 4.4%.



Retail Sales <i>All Data Seasonally Adjusted</i>	Jul-20	Jun-20	May-20	3-mo % Ch. Annualized	6-mo % Ch. annualized	Yr to Yr % Change
Retail Sales and Food Services	1.2%	8.4%	18.3%	184.3%	2.4%	2.7%
Ex Autos	1.9%	8.3%	12.3%	135.7%	1.2%	1.9%
Ex Autos and Building Materials	0.0%	9.0%	12.5%	147.5%	0.5%	1.0%
Ex Autos, Building Materials and Gasoline	1.9%	8.5%	12.5%	139.7%	4.5%	3.0%
Autos	-1.2%	9.1%	48.3%	551.6%	7.2%	6.1%
Building Materials	-2.9%	0.8%	12.8%	48.3%	14.0%	14.8%
Gasoline	6.2%	14.8%	12.0%	248.6%	-30.1%	-15.6%

Source: Bureau of Census