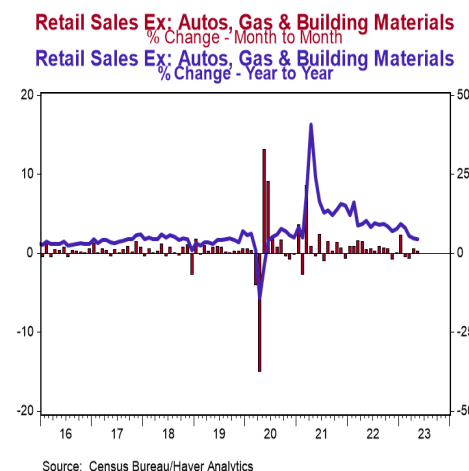
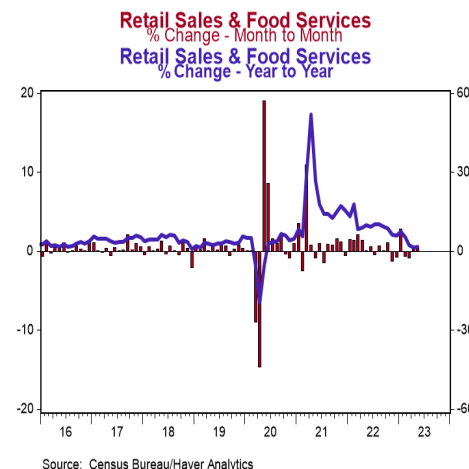


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## May Retail Sales

- Retail sales rose 0.3% in May, (+0.1% including revisions to prior months), beating the consensus expected decline of 0.2%. Retail sales are up 1.6% versus a year ago.
- Sales excluding autos increased 0.1% in May (-0.3% including revisions to prior months) versus a consensus expected 0.1%. These sales are up 1.0% in the past year.
- The largest increases in May were for autos and building materials. The largest decline was for gas stations.
- Sales excluding autos, building materials, and gas rose 0.2% in May, but were down 0.2% including revisions to prior months. If unchanged in June, these sales will be up at a 0.7% annual rate in Q2 versus the Q1 average.



**Implications:** Retail sales beat expectations in May, rising 0.3% for the month versus a consensus expected decline of 0.2% and with ten of the thirteen major categories moving upward. The increase in May was led by surprising gains in autos and building materials. The largest decline again was at gas stations, where, due to lower seasonal prices, sales are down 20.5% from a year ago. “Core” sales, which exclude the most volatile categories of autos, building materials, and gas stations, and are an important measure for estimating GDP, rose 0.2% in May and are up 4.4% from a year ago. In the last twelve months, overall retail sales are up only 1.6%, clearly lagging inflation. Sales at restaurants & bars, the only look at the service sector we get in this report, rose 0.4% in May and are still up a healthy 8.0% from a year ago. In other words, the consumer continues to shift more of their purchases to services over the goods sector, a trend that will likely continue. “Real” (inflation-adjusted) retail sales are down slightly from where they were two years ago and we expect them to be down in the year ahead. Consumers continue to face a headwind from inflation, which is largely offsetting gains in hourly pay, and services have finally risen back to trend after lockdowns. Our view remains that the tightening in monetary policy since last year will eventually deliver a recession. In other news today, import prices declined 0.6% in May while export prices fell 1.9%. In the past year, import prices are down 5.9%, while export prices are down 10.1%. Also today, on the employment front, initial claims for jobless benefits held steady at 262,000. The four-week moving average rose to nearly 249,000, the highest level since November 2021. Continuing claims increased 20,000 to 1.775 million. These figures suggest a moderation of job growth in June.

<b>Retail Sales</b> <i>All Data Seasonally Adjusted</i>	<b>May-23</b>	<b>Apr-23</b>	<b>Mar-23</b>	<b>3-mo % Ch.</b> <i>Annualized</i>	<b>6-mo % Ch.</b> <i>annualized</i>	<b>Yr to Yr</b> <i>% Change</i>
<b>Retail Sales and Food Services</b>	<b>0.3%</b>	0.4%	-0.9%	-0.8%	2.4%	1.6%
<b>Ex Autos</b>	<b>0.1%</b>	0.4%	-0.8%	-1.5%	0.9%	1.0%
<b>Ex Autos and Building Materials</b>	<b>0.0%</b>	0.4%	-0.6%	-1.2%	1.1%	1.2%
<b>Ex Autos, Building Materials and Gasoline</b>	<b>0.2%</b>	0.6%	-0.6%	0.8%	4.3%	4.4%
<b>Autos</b>	<b>1.4%</b>	0.4%	-1.3%	2.2%	8.9%	4.4%
<b>Building Materials</b>	<b>2.2%</b>	0.5%	-3.5%	-3.8%	0.7%	-0.9%
<b>Gasoline</b>	<b>-2.6%</b>	-0.9%	-0.9%	-16.4%	-21.9%	-20.5%

Source: Bureau of Census