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June Retail Sales

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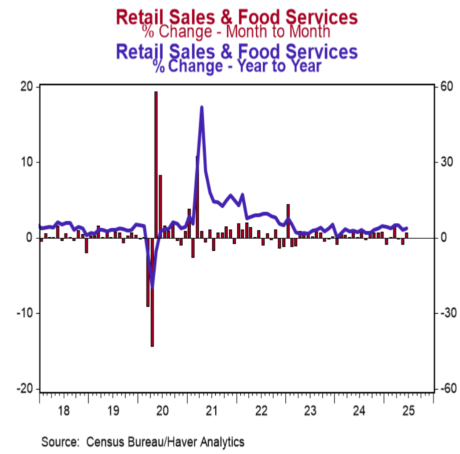
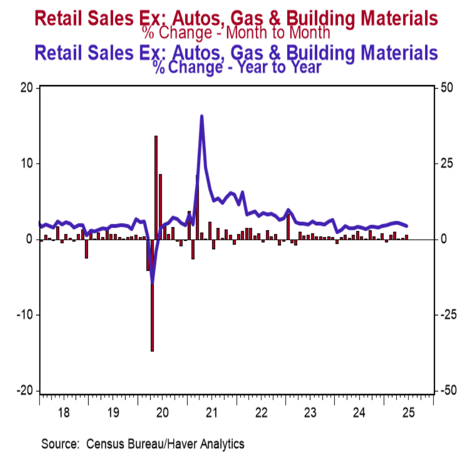
- Retail sales rose 0.6% in June (+0.7% including revisions to prior months), easily beating the consensus expected +0.1%. Retail sales are up 3.9% versus a year ago.

- Sales excluding autos rose 0.5% in June (+0.6% including revisions to prior months), versus the consensus expected +0.3%. These sales are up 3.3% in the past year.

- The largest increase in June, by far, was for autos, followed by restaurants & bars and nonstore retailers.

- Sales excluding autos, building materials, and gas rose 0.5% in June. These sales were up at a 4.6% annual rate in Q2 versus the Q1 average.





Implications: The consumer showed some signs of life in June, with retail sales rising after two months of declines. The 0.6% gain easily beat consensus expectations, prior months were revised upward, and the underlying details of the report were solid. Looking at the big picture, monthly retail sales figures have been whip-sawing since earlier this year as consumers front-loaded purchases to avoid potential tariffs. Given that the retail sales report largely reflects goods purchases (which are import-heavy), we expect ongoing trade negotiations to keep volatility high going forward. Looking at the details of the report, June's advance was broad-based with ten out of thirteen major sales categories rising. The largest increase, by far, was in the volatile auto sector, which rebounded 1.2% after a 3.8% drop in May (now up 6.5% in the past year). After stripping out autos along with the other typically volatile categories for building materials and gas stations, core retail sales posted a solid 0.5% gain. These sales are up 4.5% in the past year – above the 3.9% increase for overall sales – but have been slowing in 2025, up at a 3.8% annualized rate through June (which includes the bump from tariff front-running). This underscores the deeper issue at hand for the economy: monetary policy tight enough to bring inflation down is also tight enough to bring growth down. One category we will be watching closely for this is at restaurants & bars – the only glimpse we get at services in the report, which make up the bulk of consumer spending. That category rose 0.6% in June, the largest increase of any category outside the auto sector, while last month's sales were revised substantially upward to reflect a smaller decline, now a 0.1% slip versus an initial estimate of -0.9%. These sales are up at 7.4% annualized rate in 2025, suggesting that consumers have shifted some of their spending to services while the dust settles around tariffs. While this report appears to contrast with other signs of a slowing economy, we remain cautious given the potential delayed effects of tighter monetary policy. In other news this morning, new claims for unemployment insurance declined 7,000 last week to 221,000. Continuing claims rose 2,000 to 1.956 million. These figures are consistent with continued job growth but at a slower pace. On the manufacturing front, the Philadelphia Fed Manufacturing Index, a measure of factory sentiment in that region, jumped to 15.9 in July from -4.0 in June. Finally, on the trade front, import prices increased 0.1% in June while export prices rose 0.5%. In the past year, import prices are down 0.2% while export prices are up 2.8%.

Retail Sales *All Data Seasonally Adjusted*	**Jun-25**	**May-25**	**Apr-25**	**3-mo % Ch.** ***Annualized***	**6-mo % Ch.** ***annualized***	**Yr to Yr** ***% Change***
Retail Sales and Food Services	**0.6%**	-0.9%	-0.1%	-1.4%	0.7%	3.9%
Ex Autos	**0.5%**	-0.2%	0.0%	1.6%	2.3%	3.3%
Ex Autos and Building Materials	**0.5%**	0.0%	0.0%	2.0%	2.7%	3.6%
Ex Autos, Building Materials and Gasoline	**0.5%**	0.2%	0.0%	2.9%	3.8%	4.5%
Autos	**1.2%**	-3.8%	-0.7%	-12.8%	-5.9%	6.5%
Building Materials	**0.9%**	-2.7%	0.5%	-5.0%	-2.8%	-1.1%
Gasoline	**0.0%**	-1.3%	-0.4%	-6.4%	-7.9%	-4.4%

Source: U.S. Census Bureau