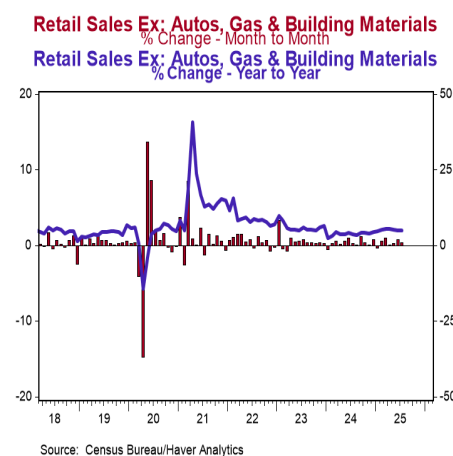
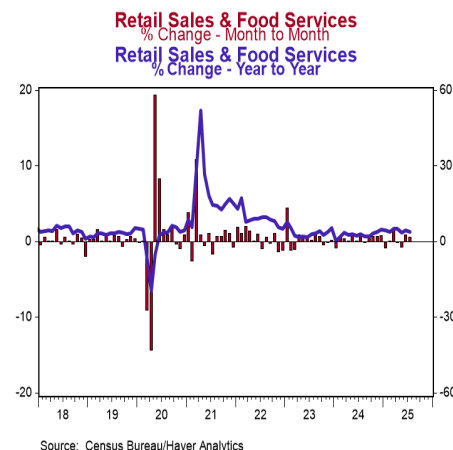


July Retail Sales

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- Retail sales rose 0.5% in July (+0.9% including revisions to prior months) versus a consensus expected +0.6%. Retail sales are up 3.9% versus a year ago.
- Sales excluding autos rose 0.3% in July (+0.7% including revisions to prior months), matching consensus expectations. These sales are up 3.7% in the past year.
- The largest increase in July, by far, was for autos. The largest declines were for building materials and restaurants & bars.
- Sales excluding autos, building materials, and gas rose 0.3% in July (+0.6% including revisions to prior months). If unchanged in August/September, these sales will be up at a 3.6% annual rate in Q3 versus the Q2 average.

Implications: Consumers started the second half of the year on a good note, with retail sales rising for the second month in a row. The 0.5% gain in July slightly lagged the consensus expected +0.6%, but factoring in upward revisions to previous months, retail sales rose a solid 0.9%. 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 purchases of goods (which are import-heavy), we expect ongoing trade negotiations to keep volatility high going forward. Looking at the details of the report, July’s advance was broad-based with nine out of thirteen major sales categories rising. The largest increase, by far, was in the volatile auto sector, which posted the biggest gain for the category (+1.6%) since March and is now up 4.7% in the past year. After stripping out autos along with the other typically volatile categories for building materials and gas stations, core retail sales rose 0.3%. These sales are up 4.9% in the past year – above the 3.9% increase for overall sales. Keep in mind, however, that a 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 fell 0.4% in July, although still up at 5.5% annual rate so far this year. While this report appears to differ from some other signs of a slowing economy, we remain cautious given the potential delayed effects of tighter monetary policy. In other news this morning, import prices increased 0.4% in July while export prices rose 0.1%. In the past year, import prices are down 0.2% while export prices are up 2.2%.



Retail Sales <i>All Data Seasonally Adjusted</i>	Jul-25	Jun-25	May-25	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.5%	0.9%	-0.8%	2.5%	4.2%	3.9%
Ex Autos	0.3%	0.8%	-0.1%	4.1%	4.2%	3.7%
Ex Autos and Building Materials	0.4%	0.7%	0.1%	5.0%	4.6%	4.2%
Ex Autos, Building Materials and Gasoline	0.3%	0.7%	0.2%	5.3%	5.8%	4.9%
Autos	1.6%	1.4%	-3.8%	-3.9%	4.1%	4.7%
Building Materials	-1.0%	1.3%	-2.7%	-9.2%	-0.3%	-2.6%
Gasoline	0.7%	0.6%	-0.7%	2.2%	-6.5%	-2.9%

Source: U.S. Census Bureau