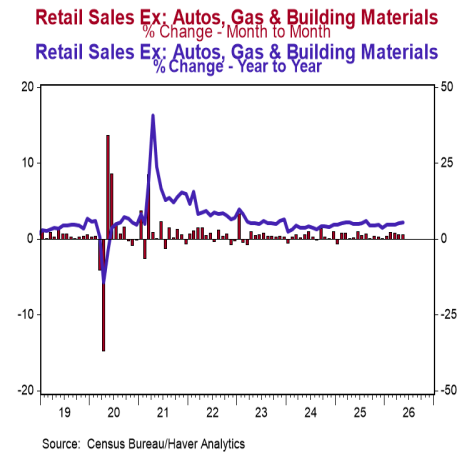
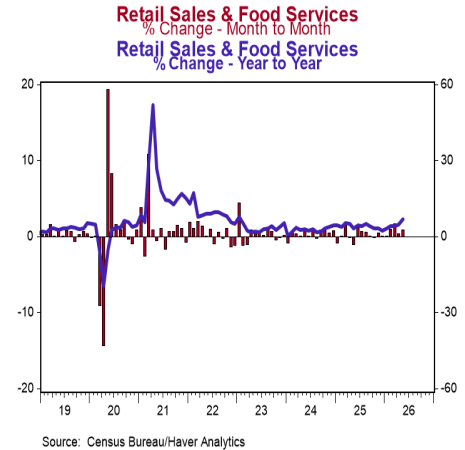


May Retail Sales

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- Retail sales rose 0.9 % in May, beating consensus expectations. Retail sales are up 6.9% versus a year ago.
- Sales excluding autos rose 0.8% in May (+0.9% including revisions to prior months), beating consensus expectations. These sales are up 7.5% in the past year.
- The largest increases in May were for gas stations, nonstore retailers (internet and mail-order), and autos. The biggest decline was for restaurants and bars.
- Sales excluding autos, building materials, and gas rose 0.6% in May. If unchanged in June, these sales will be up at a 6.9% annual rate in Q2 versus the Q1 average.



Implications: The resiliency of the US consumer was on display once again in May as retail sales beat consensus expectations and rose 0.9% for the month. The gain in May was fueled by another large jump at gasoline stations (+3.4%) as national gas prices remained near their highest level since 2022. The good news is that the nominal increase in sales was broad-based, with nine out of thirteen major sales categories rising for the month and were up a solid 0.7% when stripping out sales at the pump. The mediocre news is that none of these figures are adjusted for inflation, and when factoring that in, overall sales rose a less exciting 0.4%. We like to follow “core” sales, which strip out the volatile categories for autos (+1.2%), building materials (0.0%), and gas stations and is important for estimating GDP. This measure rose 0.6% in May and if unchanged in June would be up at a 6.9% annualized rate in Q2 versus the Q1 average. The largest increase in the core grouping once again came from nonstore retailers (think internet and mail-order) which rose 1.5% in May, the fourth gain above 1.0% in the past five months. Sales in this category are up 12.2% in the past year, the highest of any core category. Meanwhile, sales at restaurants & bars (the only glimpse we get at services in this report) moved 0.1% lower in May, the first decline in four months. This could suggest that consumers are starting to cut back on discretionary spending as they are spending a greater share of their incomes at the pump. Nominal retail sales have risen 6.9% in the past year, but factoring in inflation, “real” inflation-adjusted sales are up 2.6% in the past twelve months and still down from the peak in April 2022. No growth in four years. Also keep in mind that higher than normal tax refunds may be temporarily boosting the spending power of consumers. And while we won't get May's personal saving rate until later this month, April's reading of just 2.6% (the lowest level since mid-2022) suggests consumers have little room to continue funding spending growth through lower savings. That said, the recent peace agreement between the U.S. and Iran should help alleviate some of the strain on consumers through lower energy prices sometime in the second half of this year.

Retail Sales <i>All Data Seasonally Adjusted</i>	May-26	Apr-26	Mar-26	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.9%	0.4%	1.7%	12.7%	8.0%	6.9%
Ex Autos	0.8%	0.7%	2.0%	14.8%	9.4%	7.5%
Ex Autos and Building Materials	0.9%	0.7%	2.0%	15.1%	9.4%	7.5%
Ex Autos, Building Materials and Gasoline	0.6%	0.5%	0.7%	7.5%	6.0%	5.6%
Autos	1.2%	-0.9%	0.6%	3.6%	2.2%	4.4%
Building Materials	0.0%	0.2%	1.3%	6.1%	8.0%	5.6%
Gasoline	3.4%	2.4%	14.2%	113.6%	45.7%	26.5%

Source: U.S. Census Bureau