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July Retail Sales

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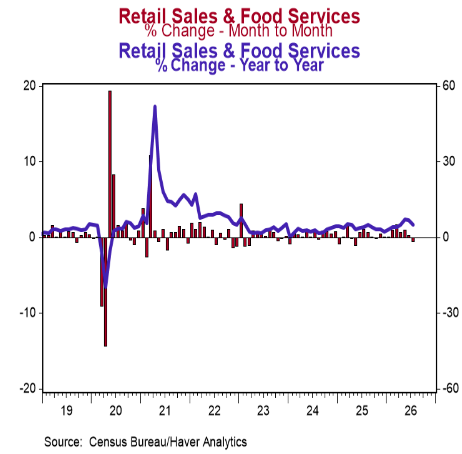
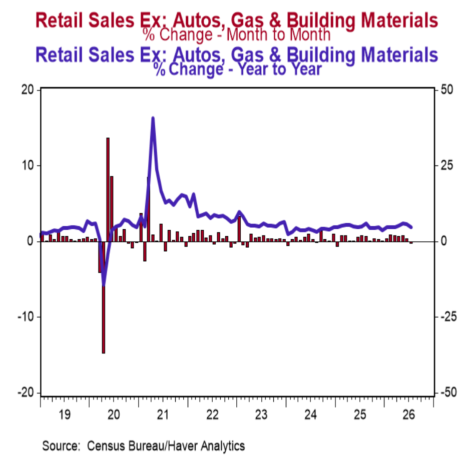
- Retail sales declined 0.6% in July, well below the consensus expected +0.1%. Retail sales are up 5.0% versus a year ago.

- Sales excluding autos declined 0.3% in July (-0.5% including revisions to prior months), versus the consensus expected +0.2%. These sales are up 5.8% in the past year.

- The largest declines in July were nonstore retailers (internet and mail-order) and autos. The biggest increase was for restaurants & bars.

- Sales excluding autos, building materials, and gas declined 0.3% in July (-0.5% including revisions to prior months). If unchanged in August/September, these sales will be up at a 1.0% annual rate in Q3 versus the Q2 average.





Implications: Retail sales stumbled to start the second half of 2026, falling 0.6% in July, the largest monthly decline in more than a year. While July's headline reading was surprisingly weak (coming in below even the most pessimistic forecast submitted to Bloomberg), it's important to remember that this follows a very strong start to the year and a season of unusually strong tax refunds that have helped to temporarily boost consumers' spending power. It's also worth noting that eight of the thirteen major sales categories rose in July, but declines in the two largest categories – autos and nonstore retailers – more than offset rising spending in categories like clothing, health & personal care, and general merchandise stores. Nonstore retailers fell 2.2% in July, likely impacted by Amazon moving their Prime Day sales event to June this year after occurring in July last year. In other words, don't put too much emphasis on what is likely a temporary slowdown due to a one-off event. Auto sales also helped lead the decline, down 1.8% in July following a 2.4% jump in June and a 1.0% rise in May. We like to follow "core" sales, which strip out the volatile categories for autos, building materials, and gas stations and is important for estimating GDP. This measure declined 0.3% in July, and if unchanged in August and September will rise at a modest 1.0% annualized rate in the third quarter versus the second quarter average. One bright spot in today's report came from sales at restaurants & bars (the only glimpse we get at services in this report), which moved 0.5% higher in July and has now shown healthy growth over the past four months. Nominal retail sales have risen 5.0% in the past year, but factoring in inflation, "real" inflation-adjusted sales are up 1.7% in the past twelve months. We will continue to watch spending and inflation closely in the months ahead as temporary factors fade and we hopefully get a cleaner look at the true health of the US consumer.

Retail Sales *All Data Seasonally Adjusted*	Jul-26	Jun-26	May-26	3-mo % Ch. *Annualized*	6-mo % Ch. *annualized*	Yr to Yr *% Change*
Retail Sales and Food Services	**-0.6%**	0.2%	0.9%	2.4%	8.1%	5.0%
Ex Autos	**-0.3%**	-0.2%	0.9%	1.6%	8.7%	5.8%
Ex Autos and Building Materials	**-0.3%**	-0.3%	1.0%	1.4%	8.7%	5.7%
Ex Autos, Building Materials and Gasoline	**-0.3%**	0.4%	0.7%	3.4%	6.4%	4.7%
Autos	**-1.8%**	2.4%	1.0%	6.1%	5.6%	1.9%
Building Materials	**0.3%**	1.2%	0.2%	7.2%	7.5%	6.7%
Gasoline	**-0.9%**	-5.8%	2.8%	-15.0%	33.7%	16.2%

Source: U.S. Census Bureau