

Retail sales: June 2024

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US retail sales end Q2 on a better note

- ▶ While overall retail sales were flat last month, the June retail sales report was stronger than the headline figures suggested. Excluding sales of motor vehicles, which were held down by outages in auto dealership software following a cyber attack, total retail sales were up 0.4% on broad-based gains across categories. **And excluding auto and gasoline sales, retail sales were up 0.8%.**
- ▶ Control retail sales – a key gauge of broader consumer spending trends that strips out the volatile components – surprised on the upside with a robust 0.9% advance following a 0.4% gain. Furthermore, data earlier in the quarter was revised higher with April sales now estimated to have declined 0.3%, instead of a 0.5% contraction previously reported.
- ▶ The better-than-expected increase in core retail sales points to resilient momentum in goods consumption growth and overall spending in the second quarter. We expect consumer spending in Q2 to grow around 1.8% annualized, modestly above the 1.5% pace of growth seen in Q1.
- ▶ Consumers have become increasingly cautious with their spending as they feel the pinch from higher prices and borrowing costs, but the latest report shows no signs of consumer retrenchment. We expect consumers' prudence will continue as elevated prices and interest rates take a growing toll on the labor market and household finances. We project that consumer spending will grow 2.1% in 2024 following growth of 2.2%, and slow to 1.7% in 2025.

Weaker purchases of gasoline (-3.0%) were again a significant drag on top-line retail sales, reflecting a sharp decline in retail gasoline prices in June. Receipts at auto dealerships (-2.0%) also plunged in June, though the weakness was likely overstated as it was driven by widespread outages in dealership software following a cyber attack.

Beyond these two categories, sales were higher across the board in June. Consumers spent a little more on food (+0.1%), and a moderate increase in food services sales (+0.3%) points to positive services spending momentum in June; the data will be released as part of the personal income and outlays report later this month. Sales of clothing (+0.6%), electronics and appliances (+0.4%), and sales at general merchandise stores (+0.4%) saw moderate increases.



In contrast, housing-related goods were a bright spot last month with strong sales reported at building material and supply stores (+1.4%) and furniture stores (+0.6%). And online sales (+1.9%) saw another strong month.

Looking at the broader trend, consumption remains on a decelerating path. Momentum in retail sales has slowed from 5.5% year over year (y/y) in December 2023 to only 2.3% y/y in June, and in inflation-adjusted terms, retail sales are 0.7% lower relative to last year.

Control retail sales – a key gauge of broader consumer spending trends that strips out the volatile components – rose 0.9% following a 0.4% advance in May. Adjusted for the slight decline in June consumer prices, the volume of core retail sales also rose 0.9%. Taken together, the latest data points to firmer spending momentum at the end of the second quarter, with consumer spending on track for moderate growth of around 1.8% annualized.

There is a greater sense of caution regarding the economy amid mounting signs that elevated prices and interest rates are taking an increasing toll on the labor market and household finances. Against this backdrop, today's report provides some reassurance that consumers are not retrenching.

However, households are acting with more prudence and being more selective with their spending, a trend we expect will continue as job growth slows further and curbs disposable household income growth. We project that consumer spending will grow 2.1% in 2024 and slow to 1.7% in 2025. Averages are somewhat misleading, however, as spending momentum is expected to reaccelerate through 2025.

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