

# Retail sales: July 2024

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## July retail sales point to consumer resilience

- Retail sales posted a stronger than expected 1% gain in July as consumers considerably ramped up their purchases of cars, electronics, food and health care items. Excluding sales of motor vehicles, which rebounded markedly after being held down by a cyber attack in June, total retail sales were up a more moderate 0.4% on broad-based gains across categories.
- Control retail sales – a key gauge of consumer spending trends that strips out volatile retail segments – posted a 0.3% increase following a robust 0.9% gain in June. Adjusted for inflation, core retail sales advanced 0.1% on the month. The strong handoff to Q3 and better-than-expected July data point to resilient momentum in goods consumption and overall spending at the start of the third quarter.
- Overall, the July retail sales report confirmed the US consumer is still spending and showed no signs of retrenchment. Looking ahead though, we expect households will turn increasingly prudent in the coming quarters as elevated prices and interest rates take a growing toll on the labor market and households' finances. We project that consumer spending will slow below trend in H2 and grow 2.0% on average in 2024, and slow to 1.7% in 2025.

While the strength in July was driven by a large bounce in auto sales, most of the sales categories registered increases last month. Receipts at auto dealerships (+3.6%) jumped in July, more than reversing the June plunge that was due to widespread outages in dealership software after a cyber attack. Sales at electronics stores (+1.6%), building material stores (+0.9%), grocery stores (+0.9%), and health care and personal care stores (+0.8%) all registered robust gains last month.

Online stores (+0.2%) only rose at a modest clip amid heavy discounting by major retailers, but the increase came on the back of a 2.2% surge in online sales in June. Gasoline stations' sales rose slightly (+0.1%), in line with flat gasoline prices on the month. Meanwhile, a moderate 0.3% gain in food services suggests that services spending likely held up well during the month – the full data will be released as part of the personal income and outlays report later this month. The only blemishes in the report were pullbacks in sales of sporting and recreational goods (-0.7%) and clothing (-0.1%).



Overall, retail sales have been in a broad decelerating trend but they have been holding up at a moderate pace in the past few months. Momentum in retail sales has slowed from 5.5% year over year (y/y) in December 2023 to 2.7% y/y in June, but in inflation-adjusted terms, retail sales are still 0.3% lower relative to last year.

Control retail sales – a key gauge of broader consumer spending trends that strips out the volatile components – rose 0.3%, above consensus expectations for a 0.1% increase. The gain followed a strong 0.9% advance in June. Adjusted for the modest 0.2% increase in July consumer prices, the volume of core retail sales rose 0.1%. Taken together, the latest data points to solid goods spending momentum at the beginning of the third quarter.

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