Datanote: US Retail Sales, June 2024

In one line: Real consumption likely grew at a near-2% rate in Q2, down from 2023's rapid pace.

- June retail sales were unchanged, better than the consensus, -0.3%. The net revision was +0.2%.
- Sales ex-autos rose by 0.4%, also above the consensus, +0.1%. The net revision was +0.4%.
- The control measure increased by

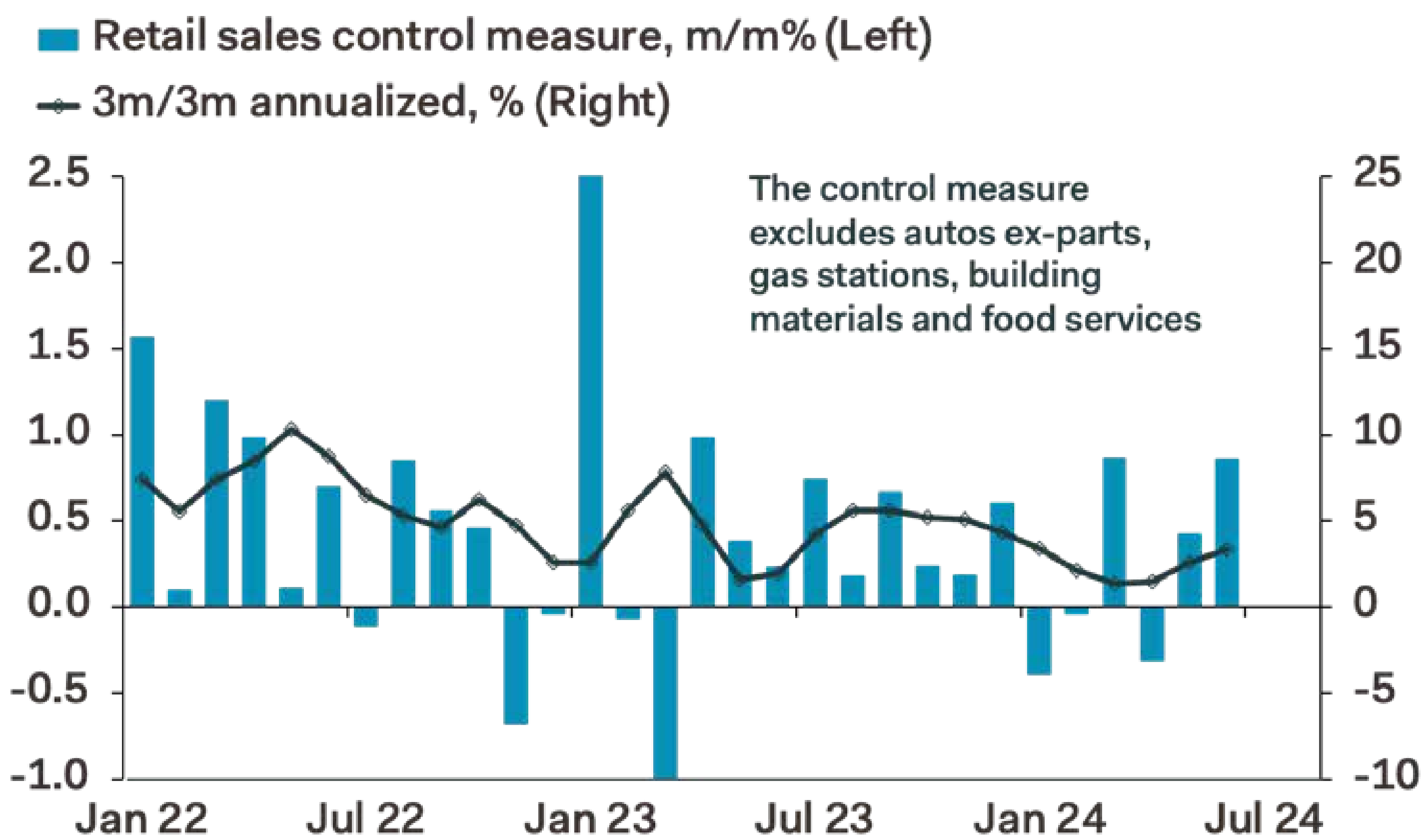
0.9%, well above the consensus, 0.2%. The net revision was +0.3%.

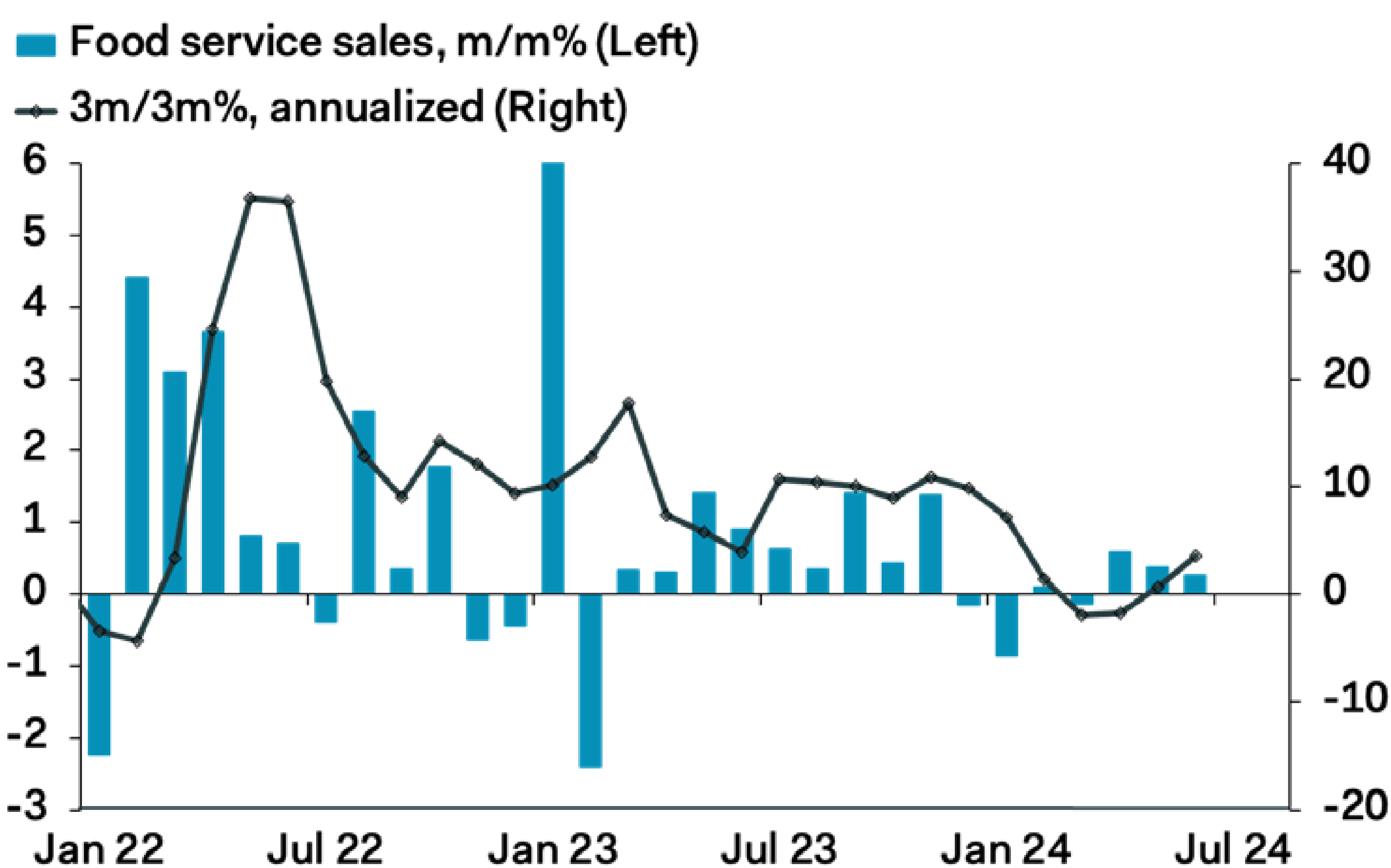
The consumer spending picture still looks lacklustre, despite the upturn in retail sales in June, which was driven by some of the more volatile components. The 1.9% jump in non-store sales in June had no obvious driver, but higher than usual average temperatures—last month was the second hottest June since national records begin in 1895—probably supported spending in other areas. For instance, sales of clothing rose by 0.6%, while sales of building materials, garden equipment and hardware increased by 1.4%. Meanwhile, the very weak level of home sales suggests that the 0.6% increase in sales of furniture and home funishings probably is just a blip. The sluggish increases in general merchandise and food services sales—0.4% and 0.3%, respectively—are indicative of underlying consumer caution.

The real consumption data in

the national accounts are derived partly from the auto, control and food services components of this report. The net upward revision to retail sales today suggests that the estimate of three-month-on-three-month annualized growth in real consumption in May will be revised up to 1.8%, from 1.5%, all else equal. Meanwhile, the combination of June's retail sales data and our forecasts for the services components suggests that real consumption rose by 0.2% in June. As a result, we think that real consumption grew at a quarter-on-quarter annualized rate of 2.1% in Q2, above Q1’s 1.5% rate, but below the 2.7% average pace in 2023.

Looking ahead, a further consumer slowdown likely beckons. Labor income growth will continue to moderate as employers respond to improving labor availability by slowing wage increases. What’s more, consumers' confidence remains very low and most households no longer have “excess savings” which they can draw on to fuel further increases in expenditure. High interest rates also will continue to restrain credit card lending and weigh on housing market activity, restraining housing-related retail sales. Accordingly, we think that growth in real consumption will hover within a 1.0-to-1.5% range in the second half of this year.


Retail sales control measure, m/m% (Left)
3m/3m annualized, % (Right)
The control measure excludes autos ex-parts, gas stations, building materials and food services
2.5
2.0
1.5
1.0
0.5
0.0
-0.5
-1.0
25
20
15
10
5
0
-5
-10
Jan 22
Jul 22
Jan 23
Jul 23
Jan 24
Jul 24


Food service sales, m/m% (Left)
3m/3m%, annualized (Right)
6
5
4
3
2
1
0
-1
-2
-3
40
30
20
10
0
-10
-20
Jan 22
Jul 22
Jan 23
Jul 23
Jan 24
Jul 24


Existing single-family home sales, y/y%, adv. five quarters (Left)
Housing-related retail sales*, y/y% (Right)
Housing-related retail includes building materials, furniture/furnishings, and household electronics
60
50
40
30
20
10
0
-10
-20
-30
-40
35
30
25
20
15
10
5
0
-5
-10
-15
-20
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02
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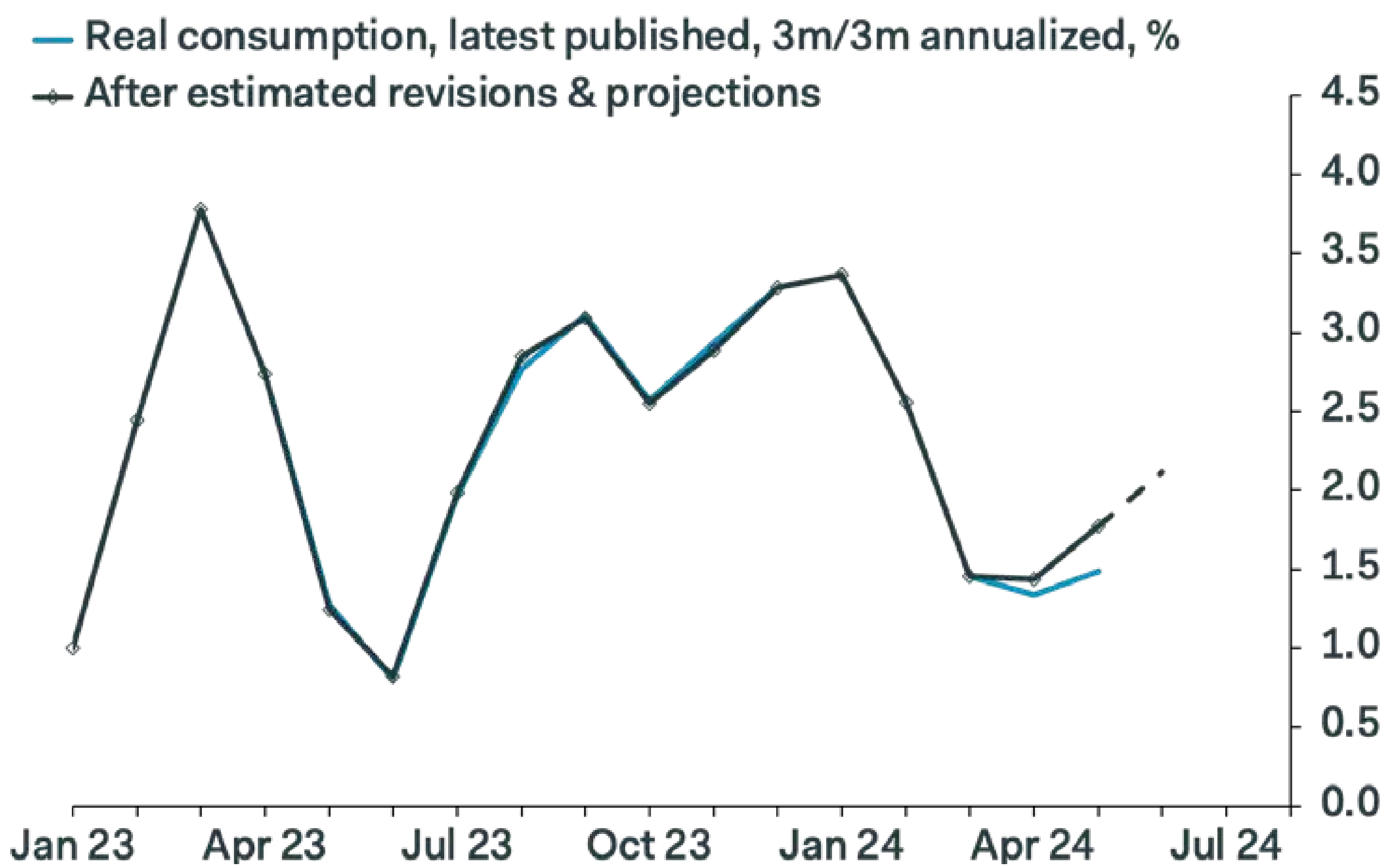
Real consumption, latest published, 3m/3m annualized, %
After estimated revisions & projections
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
Jan 23
Apr 23
Jul 23
Oct 23
Jan 24
Apr 24
Jul 24