

## US Retail Sales Control Group Points To Soft Q3 Hand-Off

**United States, Retail Sales, % Change headline/ex-autos/ex-auto-gas, m/m, June:**

Actual: 0.5 / 0.4 / 0.3

Scotia: 0.4 / 0.3 / na

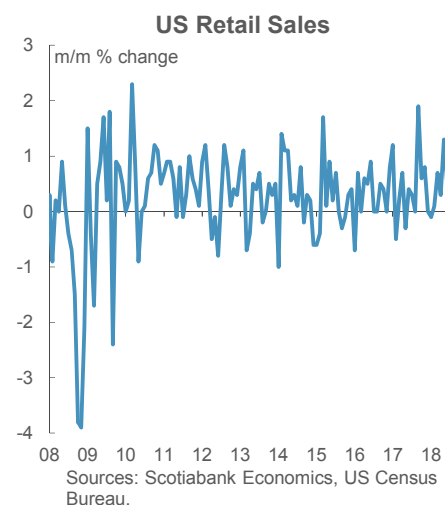
Consensus: 0.5. / 0.3 / 0.4

Prior: 1.3 / 1.4 / 1.3 (revised from 0.8 / 0.9 / 0.8)

- **While each of the main headline readings beat consensus expectations after including the effects of past revisions, key is that the retail sales group was a mild miss even after revisions.** For GDP purposes, the flat RSCG reading in June ends the quarter and hands off to the next quarter on somewhat weakened terms compared to the front-loaded growth earlier in the quarter and that adds to concern that the Q2 acceleration was just a burst of pent-up demand from Q1 that is not to be extrapolated. Markets were generally little affected by the release.
- Total retail sales were up 0.5% m/m which was bang on consensus expectations but the prior month was revised up by ½% to 1.3% m/m in May. That upward revision carried through the ex-autos and ex-autos and gas components with identical ½% upward revisions.
- **In real terms and given last Thursday's CPI reading (+0.1% m/m headline, 0.2% ex-autos and food), the retail sales control group marginally fell in June by around a couple of tenths of a percentage point but climbed by over ½% m/m in May.**
- **By component, breadth was ok.** Sales were up in 8 of 13 categories. The strongest gains were in health and personal care stores (+2.2% m/m), restaurants (+1.5%), "non-store" retailers (+1.3%), gas stations (+1%), autos and parts (+0.9%) and building materials (+0.8%). The biggest decliners were sporting goods (-3.2% m/m), clothing (-2.5%) and department stores (-1.8%).
- **Headline sales were up by 7.9% q/q at a seasonally adjusted and annualized pace in Q2** with comparable gains of just over 7% in each of the ex-autos, ex-autos and gas categories and only slightly weaker gains in the retail control group (+6.5%). Before any Q3 data arrives, the retail control group is baking in about 1% q/q annualized growth; **it would take very large monthly gains averaging out to around 1½% per month over Q3 in order to get comparable quarterly growth to Q2 which is probably unlikely.**
- In inflation-adjusted terms, sales volumes were higher on the order of around 6% q/q at an annualized rate with the real retail sales control group up by just under 5%. That's very solid growth, but again, the hand-off to Q3 by way of sustainable momentum is in doubt.

### CONTACTS

**Derek Holt, VP & Head of Capital Markets Economics**  
 416.863.7707  
 Scotiabank Economics  
[derek.holt@scotiabank.com](mailto:derek.holt@scotiabank.com)



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