

U.S. Flash

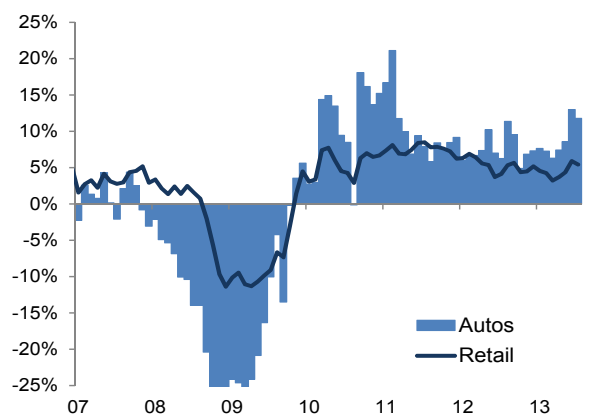
Headline Retail Sales Decelerate as Vehicle Sales Decline

- Total retail sales rose 0.2% in July despite calls for stronger vehicle sales growth
- Excluding autos and gas the figure was far more positive, up 0.4%
- Annual growth held relatively stable with a back-to-school push in sales

Retail sales for July convey a mixed bag of consumer habits that buck the trend of the last few months. At the headline level, sales rose 0.2% for the month, much less than the consensus expectations for a 0.6% gain. Given the strength in unit auto sales released prior to the Census figure, there was growing sentiment that we would see yet another month of considerable gains for the auto sector. However, after three months of strong growth in the auto industry, nominal sales actually declined 1.0% in July, ending its trajectory toward all-time high levels for the time being. Despite a decline in gasoline prices across the U.S., gasoline station sales rose 0.9% to help propel the headline figure higher along with the normal core set of sales data.

Shifting to the core retail sales, excluding autos, the situation carries a much brighter tone with sales rising 0.5% for July. This unexpected bump for the month is not focused in durable goods however, but primarily in non-durable consumer based goods. Durable goods sales actually declined across the board with vehicle sales declining and furniture and appliance sales falling 0.8%. Home improvement overall saw a decline as building materials and garden equipment also fell, down 0.4% for the month. The growth in core retail sales came from short-term products and weekly consumer goods. Food and beverage stores experienced a 0.8% rise in sales while health and personal care sales rose 0.7%, purportedly fueled by the rush for a much needed vacation. As we expected, clothing stores also gained from the proximity to the end of summer as school shopping begins, sending clothing and accessory store sales up 0.9% after two months of decline. School shopping didn't end at backpacks and jeans, however – athletes also contributed with sporting goods sales up 1.0% for its highest monthly increase in six months. Overall, it was consumer staple goods like clothing and smaller items that fueled July's growth rather than vehicle sales that have been the driver thus far. Online purchases were up 0.8% and department store sales rose 0.6%, conveying a more optimistic tone for 3Q13 consumption. That being said, annual growth remained mostly stable after four months of steady acceleration. Ultimately, we expect retail sales to grow throughout the rest of 3Q13 as seasonal factors encourage increased consumer spending.

Chart 1
Retail and Auto Sales
YoY % Change



Source: US Census Bureau & BBVA Research

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