

August 13, 2009

Retail Sales, July 2009



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The U.S. Census Bureau reported today that retail sales declined in July, both on a total basis and excluding vehicles. Forecasters had expected increases in both total and non-auto sales. Auto sales rose, but were less than expected. A decline in seasonally adjusted gasoline sales contributed to the weakness, but spending on most discretionary retail categories also declined. The weakness highlights the continuing difficulties households face as a result of stagnant or even declining incomes, a problem which should persist until employment definitively revives.

- Total retail and food service sales fell 0.1% in July on a seasonally adjusted basis, following increases of 0.8% and 0.5%, respectively, in June and in May. The consensus forecast had been for a 0.8% increase, and individual forecasts had been in a relatively wide range, from -0.9% to +2.0%. Excluding autos and parts, sales fell 0.6%, compared with forecasts for a 0.1% increase and individual forecasts ranging from -0.7% to +1.2%. Total sales for June were revised from +0.6% to +0.8%.
- Sales of motor vehicles and parts rose 2.4% in July, but were nevertheless down 7% from July 2008. While July's increase shows some impact from the federal "cash for clunkers" program which began late in the month, it was also the fourth consecutive monthly gain in auto sales from their March trough.
- Seasonally adjusted sales at gasoline stations fell 2.1%; unadjusted sales rose slightly but less than the normal seasonal increase. Although they have since rebounded, retail gasoline prices fell nearly 5% in July, so that most of the seasonally-adjusted sales decline is a result of lower prices rather than lower driving.
- Sales of household goods were weak once again. Sales at home improvement stores fell 2.1%, sales at electronics and appliance stores fell 1.4%, and sales at furniture stores fell 0.9%. Sales at the three home-related categories were down between 12% and 15% from July 2008.
- While apparel sales rose 0.6%, sales at other discretionary categories were weak. Department store sales fell 1.6%, for example, while sporting goods and hobby shop sales fell 1.9%.

Source: U.S. Census Bureau

While July sales were weaker than expected, we continue to believe that consumer spending is unlikely to show robust growth in this recovery because of continuing pressures on household incomes and the ongoing effects of wealth declines. Auto sales, however, which had fallen particularly sharply, should continue to revive, while spending on home-related durables is likely to pick up in coming months as a lagged result of the stabilization and recovery in home sales. ■

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