

Economic Indicator — July 17, 2025

Broad Gains Across Retailers as Sales Beat Expectations

Summary

Strong June retail sales show consumers may have been spooked by tariffs, but they haven't fully gone into hiding. The fact that June is a slower month and that goods outlays comprise a fraction of overall outlays means that we are not completely rethinking our forecast for a soft second half for consumer spending.

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U.S. Retail Sales: January 1900												
	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Retail Sales (MoM)	0.9	-0.2	0.8	0.6	0.6	0.8	-0.9	0.0	1.5	-0.1	-0.9	0.6
Retail Sales, Ex. Autos (MoM)	0.4	-0.2	0.9	0.3	0.0	0.7	-0.3	0.4	0.6	0.0	-0.2	0.5
Control Group Sales (MoM)	0.3	-0.2	1.2	0.3	-0.1	1.0	-0.4	0.8	0.5	-0.2	0.2	0.5
Real Retail Sales (MoM)	1.0	-0.1	0.8	0.7	0.4	0.3	-1.3	-0.1	2.0	-0.1	-0.7	0.3
Retail Sales (YoY)	3.0	1.9	2.0	3.1	3.9	4.6	4.6	3.9	5.1	5.0	3.3	3.9
Retail Sales, Ex. Autos (YoY)	3.4	2.2	2.5	3.0	3.1	3.7	4.4	4.3	4.2	4.1	3.6	3.3
Control Group Sales (YoY)	3.8	3.3	4.3	4.2	4.1	4.9	5.0	5.7	5.4	5.2	4.8	4.1
Real Retail Sales (YoY)	3.3	3.0	3.4	4.3	4.3	4.3	3.8	3.3	5.0	5.1	3.3	3.2

Notes: MoM = Month-over-Month Percent Change
YoY = Year-over-Year Percent Change

Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Economics

Is Consumer Spending Really on Better Footing?

Retailers had a much better-than-expected month in June. Overall sales rose 0.6% which was significantly better than the scant 0.1% pick-up that had been expected by the 65 forecasters contributing to the Bloomberg consensus. While a 1.2% increase in auto sales certainly helped lift the headline, it is not as though that category carried the day. Almost all major store types raked in more sales in June. After auto sales, gains in other major categories included building material & garden stores (+0.9%), bars & restaurants (+0.6%) and e-commerce (+0.4%).

An obvious take-away from today's report is that consumer spending is on better footing than would otherwise be indicated in the context of diminished confidence and a labor market that is slowly losing momentum. Even though we had an above-consensus forecast, the strength of today's report took us by surprise. That said, today's admittedly lights-out report does not completely change our thinking on the consumer. Goods spending, which is mostly what you are measuring in the retail sales report, comprises only about a third of consumer outlays. We detailed in a [special report](#) earlier this week how consumers are paring back outlays in the much-larger services side of spending, particularly the discretionary services which have a track record of identifying turning points in the economic cycle.

Restaurant sales provided the largest lift to headline retail after autos, which can be taken as an encouraging development after a pullback in May and the recent sharp slowdown in discretionary services. That said, it doesn't completely alleviate our concerns that consumers have grown more choosy when it comes to discretionary purchases. We'll have to wait for the broader personal spending report out later this month to gain greater detail on services spending, which makes up the bulk of household consumption.

The June data indicate even if consumers have been spooked by tariffs, they haven't fully gone into hiding when it comes to spending. Control group sales, which exclude volatile categories that are captured elsewhere within GDP accounting and act as a good proxy for goods spending, rose 0.5% in June. While that out turn suggests some upside to Q2 personal consumption expenditures, taken with the downward revision to control-group sales in May, we expect PCE is still tracking relatively close to our estimate for a ~1% annualized gain for the second quarter.

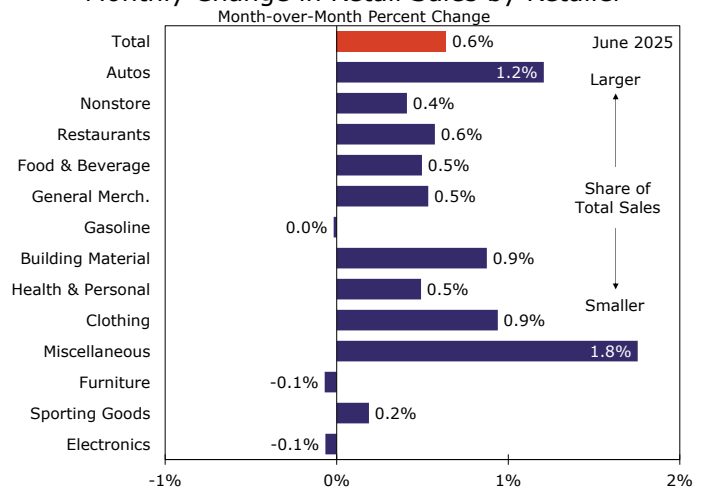
Compared to a year-ago, overall retail sales are now up 3.9%, which is higher than the recent run rate, though control group have slipped to the lowest annual rate in eight months.

Two other quick thoughts before we hail the return of a price-taking consumer full of swagger: 1. June is a slow month for sales, and 2. Retail sales are not adjusted for prices.

Let's start with June. Other than "Dads & Grads" sales to spur spending around Father's Day and graduations, it is not typically a make-or-break month for retailers. As for the price dynamic, consumer goods prices were up 0.3% in June, so some of the gain reflects higher prices. To the extent that tariffs are pushing up prices for retailers in a way that is not fully captured in the CPI data, that will show up as stronger sales. Or it may simply be that households are actually splashing out more on retail goods even at a time that they are paring their outlays on discretionary services.

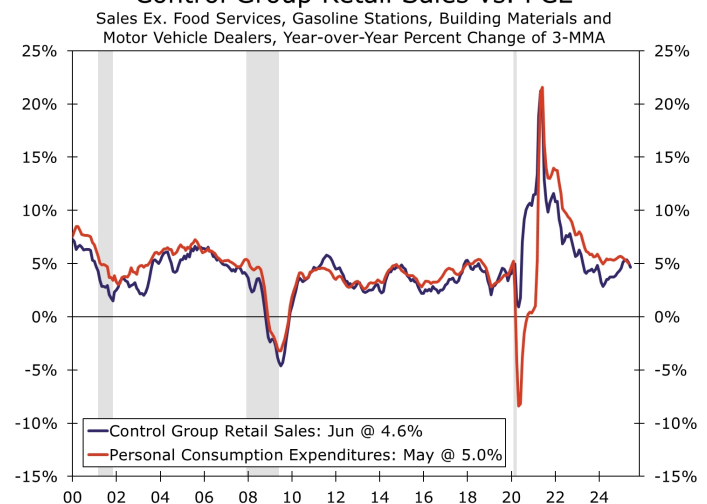
Time will tell, but perhaps not immediately. June is not the only slow month. In fact, until back-to-school sales begin in August, the summer months are not typically among the most important ones of the year for retailers. This is why Amazon puts Prime Day in July and why many other retailers are prepared to offer competing sales during the same time period.

Monthly Change in Retail Sales by Retailer



Source: U.S. Department of Commerce and Wells Fargo Economics

Control Group Retail Sales vs. PCE



Source: U.S. Department of Commerce and Wells Fargo Economics

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