

Economics Group

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Gasoline Sales Exerting Downward Pressure on Retail Sales

Retail sales came in lower than market expectations, down 0.2 percent in June, while the 0.3 percent decline in May was upwardly revised to a decline of 0.1 percent. Once again gasoline sales were down in the month.

Weakness in Retail Sales Persists

American consumers continued to disagree with themselves in June as consumer confidence has remained high but has still not translated into much higher consumption. Once again, nominal retail sales dropped in June, this time by 0.2 percent, driven by a 1.3 percent decline in gasoline sales, the fourth consecutive monthly decline for this sector of retail as gasoline prices continued to come down. However, gasoline sales were not the only culprit for the weakness. Food and beverage consumption declined 0.4 percent while clothing sales did so by 0.1 percent. Sporting goods sales were down 0.6 percent and remained the worst performing sector on a year-over-year basis, down 7.7 percent, non-seasonally adjusted.

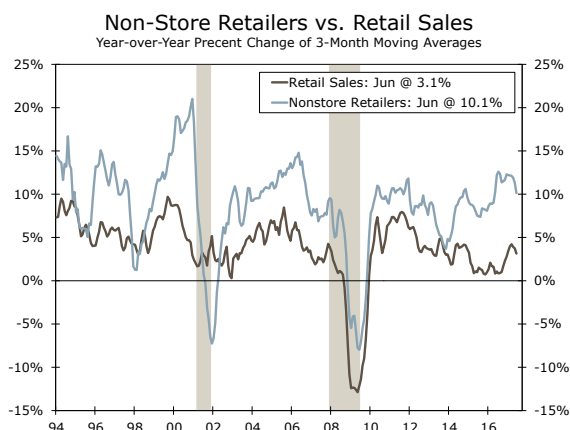
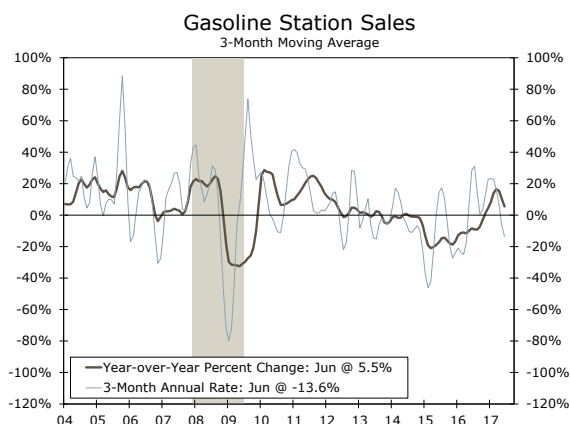
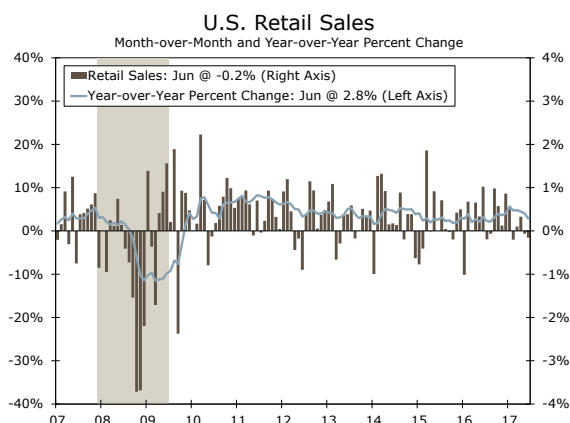
Although general merchandise sales increased 0.4 percent during the month and are up 2.3 percent on a year-earlier basis, department stores sales were down once again, this time by 0.7 percent, and were the second worst performing sector on a year-earlier basis, down 4.2 percent. Meanwhile, miscellaneous store retail sales slumped 3.1 during the month after declining 0.7 percent in May. Miscellaneous store retail sales were very weak, up 0.8 percent, on a year-earlier basis in June. The last weak sector was eating and drinking places sales, which represents the service side of the report. Those sales were down 0.6 percent in the month.

On the positive side, motor vehicles and parts sales were up a third consecutive month, increasing 0.1 percent, and reversing the strong weakness shown during the first quarter of the year. On a year-earlier basis, motor vehicle sales were up 4.3 percent. Meanwhile, furniture sales and electronics sales were up 0.1 percent month on month while they were up 3.5 percent and 1.6 percent on a year-earlier basis.

Building materials sales were up 0.5 percent in June after declining 0.6 percent in May while health and personal care sales improved 0.3 percent. Perhaps the only sector that continues to beat the trend, not surprisingly, is non-store retailer sales, which increased 0.4 percent after doing so by 0.8 percent in May. This sector continues to be the strongest sector of retail, growing at a 9.9 percent on a year-earlier basis.

Overall a Disappointing Performance for Retail Sales

Although personal consumption expenditures are expected to bounce back during the second quarter of the year, the bounce back may not be as strong as what we were expecting if these numbers remain as they were originally published, which is a big if. Furthermore, this is a nominal report, meaning that the real numbers may do the trick to help consumer demand growth in the second quarter. However, that is no help for retailers looking for higher revenues on their sales efforts.



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