



Economics Group

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Solid Report for July Retail Sales

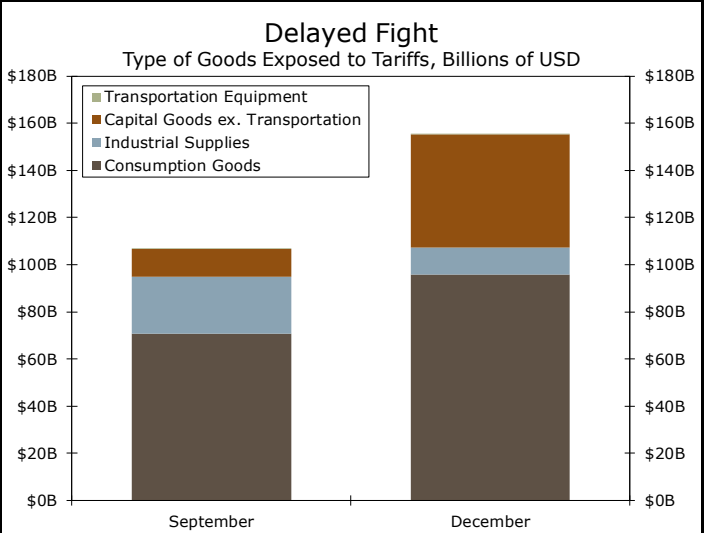
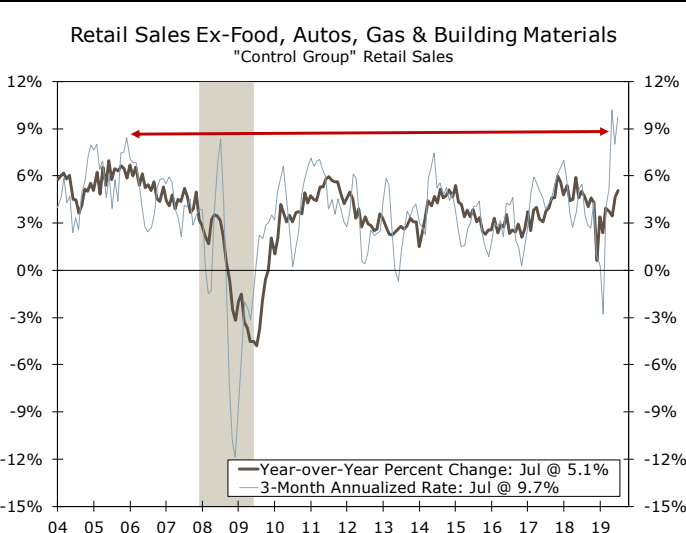
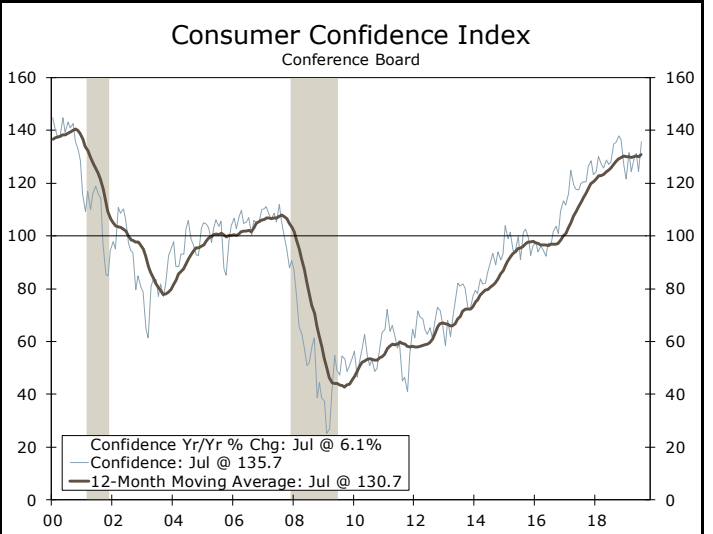
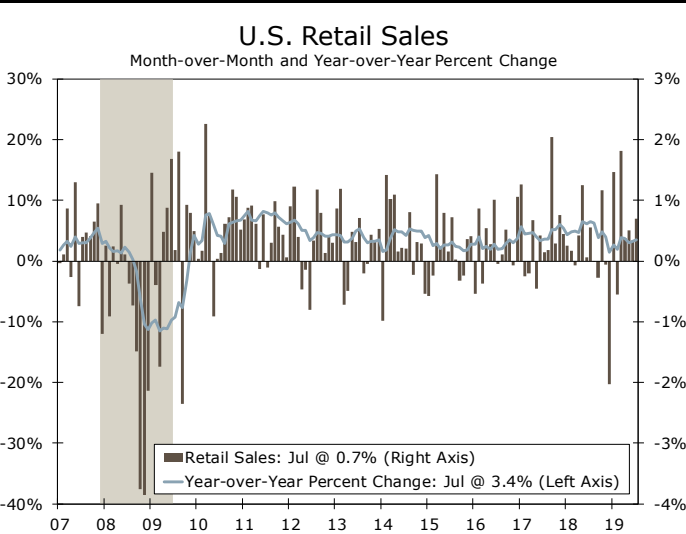
July retail sales surpassed expectations, rising 0.7%. Gains were broad-based with ten of thirteen categories seeing an increase in sales over the month. But, despite a delay in tariffs, spending could be at risk.

Broad-based Sales Strength

- Excluding volatile components, control group sales—an indicator of personal consumption expenditures (PCE)—rose 1.0%. Recall, PCE grew at a break-neck 4.3% annualized rate in Q2. While we do not expect that pace to be sustained, this report sets the consumer up for another solid gain in Q3. A notable area of strength was sales at non-store retailers, which we suspect can be in part attributed to Amazon’s Prime Day.

Risks on the Horizon

- July retail sales are the latest indication that the consumer is alive and well. But, consumer confidence has come off the boil recently, suggesting caution among consumers. The [recent escalation](#) in the trade war positions consumers directly in the cross fire, and, while the delay of tariffs on about \$155 billion of Chinese imports means consumers may not feel it in their wallets until after the holiday season, if confidence is hit, it may curtail spending sooner.



Source: U.S. Department of Commerce, The Conference Board, USTR and Wells Fargo Securities

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