

U.S. Retail Sales — May

Flying Down the Stretch

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Bottom Line: Supported by sturdy job growth, rising wages and lower taxes, American shoppers are in full gallop once again after stumbling out of the gates earlier this year.



Retail sales bolted 0.8% in May, doubling market expectations and rising the most in six months, following an upwardly-revised 0.4% advance the prior month. The gains were spread among 10 of 13 major categories, led by increases in clothing, restaurants and even beleaguered department store items. The control measure that feeds into the BEA's consumer spending tally jumped 0.5% following an upwardly-revised 0.6% advance the prior month, and is up a sharp 6.6% annualized in the past three months (and 5.6% in the past year). Combined with the solid rebound in personal spending in the prior two months, the strength in May retail sales suggests an **upside risk to our call for a 3.5% rebound in Q2 consumer spending**, confirming that Q1's downshift to 1.0% from 4.0% in Q4 was merely a brief pause in a lengthy spending spree. It also means some upside risk to our Q2 GDP growth estimate of 3.2%, pending further data.

The recent burst of strength by consumers supports the FOMC's upgrade of its rate forecast at yesterday's meeting. We see two more moves this year, likely in September and December.

Retail Sales					
United States (m/m % chng)	(% chng : a.r.)				
	May	Apr	Mar	3-mo.	12-mo.
Retail Sales	0.8	0.4	0.7	7.9	5.9
Ex. Autos	0.9	0.4	0.4	7.1	6.4
Ex. Gasoline	0.7	0.3	0.8	7.5	4.9
Ex. Autos, Gas	0.8	0.3	0.5	6.4	5.1
Ex. Auto Dlr., Gas, Bldg Mat'ls	0.6	0.4	0.6	7.0	5.0
Building Materials	2.4	-0.8	-1.2	1.3	5.2
Furniture	-2.4	2.7	0.7	3.8	3.5
Autos	0.5	0.2	1.9	11.2	4.0
General Merchandise	1.2	-0.3	0.4	5.7	5.0
Department Stores	1.5	0.7	0.1	9.6	2.1
Food Stores	0.0	0.6	0.3	3.9	3.7
Apparel	1.3	1.2	0.1	11.0	5.9
Gasoline	2.0	1.0	0.0	12.7	17.7
Restaurants	1.3	-0.3	1.1	8.8	5.1
Drug Stores	0.5	0.5	1.0	8.1	2.9
E-commerce, Mail Order, Fuel	0.1	1.5	0.9	10.5	9.1

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