United States: Retail Sales Blast Past Expectations

**HIGHLIGHTS**

- Retail sales were up 0.6% in July, after a 0.3% increase in June (upgraded from -0.2%).
- Automobiles sales jumped 1.2% and the value of service-station sales declined by 0.4%. Excluding automobiles and gas, sales advanced by 0.5% in July after growth of 0.3% in June (upgraded from -0.1%).
- Besides automobiles, renovation centres, nonstore retailers, department stores and stores in the “miscellaneous” category all recorded noteworthy gains.
- Along with service stations, only electronics stores and clothing stores posted declines.

**COMMENTS**

This marks the first time since January that monthly growth for total retail sales exceeded consensus forecasts. This time, the gain came in at twice the expected forecast of 0.3%. This better-than-expected performance also spilled over to sales excluding automobiles and gas. The upgrades to previous data, especially for June, are simply the icing on the cake. The declines seen a month ago have turned into considerable increases, a situation that could mean that consumer spending’s contribution to real GDP in the second quarter will be upgraded when the next estimate of the national accounts is released at the end of August.

A few encouraging surprises occurred in July among the different types of retailers, with department stores recording their best monthly growth since January. The 1.0% gain follows a combined contraction of 1.4% recorded in May and June. Recreational stores posted their first increase since February. After several difficult months, renovation centres consolidated the gains made in June with a 1.2% advance in July.

**IMPLICATIONS**

Combined with the upgrades to previous data, retail sales growth in July was particularly encouraging. The third quarter of 2017 appears to be off to a good start and household spending seems poised to make a good contribution to real GDP growth. However, sales will have to keep up the pace in August and September—the back-to-school months.

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