ECONOMIC UPDATE

REGIONS

July 16, 2026

June Retail Sales: Clear Boost From Lower Gasoline Prices – If You Look

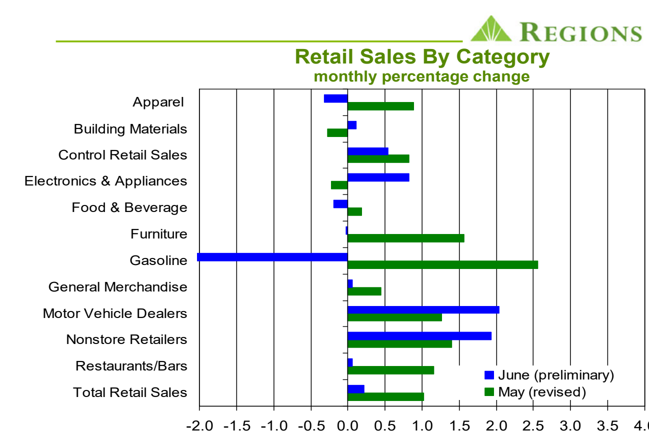
- Retail sales rose by 0.2 percent in June after rising 1.0 percent in May (originally reported up 0.9 percent)
- Retail sales excluding autos fell by 0.2 percent in June after rising 1.0 percent in May (originally reported up 0.8 percent)
- Control retail sales (sales excluding motor vehicles, gasoline, restaurants, and building materials) rose by 0.5 percent in June

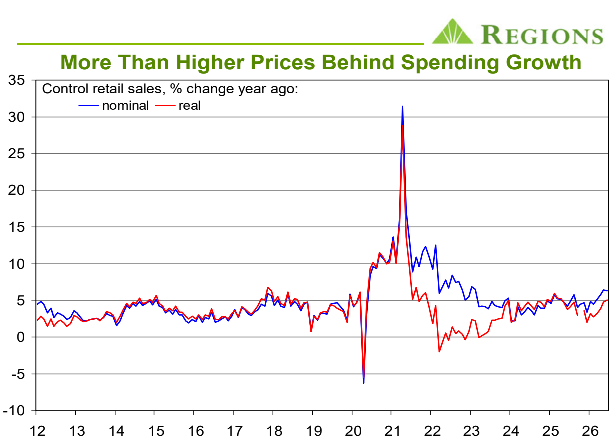
Total retail sales rose by 0.2 percent in June, matching the consensus forecast but shy of the 0.3 percent increase our forecast anticipated, while ex-auto sales fell by 0.2 percent, double the decline expected by the consensus forecast and well below the 0.4 percent increase we expected. At the same time, though, prior estimates of total and ex-auto sales in both April and May were revised higher. As for control group sales, the most relevant component of any month's retail sales data as this feeds directly into the GDP data on consumer spending on goods, control group sales were better than our forecast and at the same time were not as good as our forecast. Wait, what? On a seasonally adjusted basis, control group sales rose by 0.5 percent, matching the consensus forecast but short of the 0.8 percent increase our forecast anticipated. On a not seasonally adjusted basis, however, control group sales fell by 1.5 percent in June, a much milder decline than the 2.4 percent decline our forecast anticipated. Declines in June are the norm – aside from 2020, when nothing made sense, 1994 is the only instance in which control group sales rose in the month of June. That unadjusted control group sales outperformed our forecast while seasonally adjusted control group sales underperformed our forecast simply reflects seasonal adjustment being less favorable toward the June data than we anticipated, which we flagged as a downside risk to our forecast in our preview of the June data. We're not at all bothered by this, as we see the unadjusted data as what actually matters. And, even though seasonally adjusted control group sales came in shy of our forecast, prior estimates of sales in April and May were revised higher, such that nominal control group sales rose at an annual rate of 9.2 percent in Q2, the largest such increase since Q2 2022. To be sure, higher prices played a role, but recall that core goods prices actually fell in June, meaning there is more than higher prices behind the strength in control group sales over recent months. To that point, real control group sales, i.e., adjusted for price changes, were up 5.1 percent year-on-year in June, the largest such increase in more than a year.

In our preview of the June data, we cited two factors that would have significant, but opposing, impacts on retail sales. First, sharply lower prices meant that gasoline station sales would be a sizable drag on top-line retail sales. The initial estimate shows gasoline station sales falling by 5.3 percent in June, in line with our expectations. The other factor we cited was sales by nonstore retailers, which we expected would be bolstered by Amazon Prime Day(s) falling in June this summer rather than in July, where the summer event typically falls. We suspected the change in timing might confound seasonal adjustment, and if so, this category would be a, well, prime support for control group sales – keep in mind that online sales account for over ninety percent of the broader nonstore retailers category and over thirty percent of control group sales. The not seasonally adjusted data show sales by nonstore retailers up by 3.9 percent in June, the largest June increase since 2010 (June typically sees declines in this category), and on a seasonally adjusted basis sales by nonstore retailers were up by 1.9 percent. Keep in mind, however, that the July data are likely to bring substantial payback which is likely to be magnified by seasonal adjustment. If we're correct on this point, it sets up a weak July print on control group sales but one which would say more about the calendar and very little about the actual state of U.S. consumers.

Motor vehicle dealer revenue rose by 2.0 percent as seasonal adjustment flattered a smaller than typical June decline in the not seasonally adjusted data. Sales at electronics and appliance stores were up by 0.8 percent, a bit of a surprise given what, at least according to the CPI data, were lower prices in June. Furniture store sales were flat on the heels of what was a 1.6 percent gain in May (first reported as a 1.0 percent increase). While we thought traffic from the World Cup might have boosted restaurant/bar sales, that doesn't seem to have been the case, as seasonally adjusted sales in this category were up by just 0.1 percent and the not seasonally adjusted data show this to have been a much weaker June than is typical.

While the headline (i.e., seasonally adjusted) numbers fell short of our forecasts, we'd argue June was a solid month for retail sales. While the decline in gasoline station sales knocked around five-tenths of a point off the monthly change in total retail sales, that seems to have been made up for elsewhere, which is very clearly seen in the not seasonally adjusted data. The boost from lower gas prices, however, could prove to be short-lived with gas prices on the rise again.





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