

Consumer Spending Slows but Inflation is Still the Market Driver

Retail sales were *unchanged* in July, while the June increase was revised downward from +1.0% to +0.8%. Last month's weaker-than-expected sales were primarily due to drops in autos and auto parts (-1.6%) and gasoline (-1.8%). When these two volatile components are excluded, sales were up +0.7%, well above the +0.4% ex auto and gas forecast.

Scott McIntyre

Moderation in sales last month were also found in clothing (-0.6%) and general merchandise stores (-0.7%). This probably reflects discounted prices on excess inventory. Sales at eating and drinking establishments were up just +0.1% in July after averaging +2.6% over the previous five months. Categories showing large increases included building materials (+1.5%) and online sales (+2.7%). The big increase in July e-commerce was fueled in large part by "Amazon Prime Day(s)."

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