

Retail Sales Flat in June as Gasoline, Autos Are Drags; Details Are Much Better

- **Retail sales were flat in June from May, but the details were much better.**
- **Falling gasoline prices and the cyberattack on auto dealers were drags, but other segments experienced solid gains.**
- **Consumers are generally in good shape in 2024, although there are some negatives for spending in the middle of the year.**
- **Consumer spending will continue to increase at a pace above inflation through the rest of 2024 and into 2025, although growth will slow.**

Retail sales were essentially unchanged in June from May (down less than 0.1%). This followed an increase of 0.3% in May (revised higher from 0.1%).

The soft headline number was due to big drops in gasoline sales (down 3.0%) from lower prices, and auto sales (down 2.0%) from the CDK cyberattack that disrupted operations at many auto dealerships. Retail sales excluding autos were up 0.4%, and sales were up 0.8% excluding autos and gasoline.

Control sales—sales excluding food service, autos, gasoline, and building materials, and which go into nominal consumer spending in GDP—rose a strong 0.9% in June. With inflation low for the month, this means that real consumer spending growth was very strong in June. Nominal control retail sales increased 3.2% at an annual rate in the second quarter, up from 1.4% in the first quarter.

Consumers remain in good shape in mid-2024. Job growth has slowed somewhat but remains solid, wages continue to increase, inflation has slowed, and household wealth is increasing thanks to a strong stock market and rising home values. Although the dollar value of consumer debt is rising, it remains historically low relative to incomes. Negatives for consumer spending heading into the second half of the year are high interest rates, dwindling excess saving as households have spent down most of their pandemic aid, and a low savings rate that consumers will need to increase. Still, PNC expects that consumer spending, adjusted for inflation, will continue to increase throughout the rest of this year and into 2025. Spending growth will slow somewhat, however, leading to a bit softer near-term economic growth.

Total retail sales were up 2.3% in June from one year earlier, down from 2.6% growth in May. But sales excluding autos and gasoline were up a very good 3.8% in June on a year-ago basis, compared to 3.1% growth in May.

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Spending increased solidly in most categories in June outside of autos and gasoline. Spending was up 1.9% on the month for nonstore retailers (mostly online), 1.4% for building materials, 0.6% for furniture and home furnishings, 0.6% for clothing, and 0.4% for both general merchandise and for electronics and appliances. Sales at restaurants and bars rose 0.3%, and were up 4.4% from a year earlier, indicating that discretionary spending is still rising. Media concerns about tapped-out consumers are overblown.

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