



# Economics Group

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## Amid a Pandemic, Retail Sales Hit All-Time High

*Despite a headline miss, underlying details in today's report were better than expected and prior data was revised higher. Services spending may remain under pressure, but retail sales activity has fully recovered.*

### V-Shaped Recovery is Complete, at Least for Retail Sales

Retail sales missed on the headline expectation, but only because categories that have been doing well gave up gains. Underlying components actually did much better than expected. Control group sales grew 1.4%, which was more than the 0.8% that had been expected and came on the heels of an upward revision that lifted June's gain in this category to 6.0%.

In short, the details of today's retail sales report offer the latest evidence of the V-shape recovery in consumer goods spending. Keep in mind that for the overall economy, outlays on services are roughly twice as large as goods and the recovery in services has been slower.

But these figures for July put the aggregate level of retail sales 1.2% above the pre-recession peak set in January. For consumer goods spending, the recovery is over—spending levels are back to record highs. The question now is to what extent those gains may prove fleeting as generous jobless benefits fade and as spending eventually shifts back into service categories. While overall retail sales pushed forward, some retailers saw sales give back some of their recent gains.

### Auto Sales Disappoint

Auto sales held back the overall pick up in retail sales. Sales of autos gave back some of their recent gains; after a 9.1% surge in May, auto dealers saw sales slip 1.2% in July. Excluding autos, retail sales were up 1.9%, exceeding the consensus expectation of 1.3%. The autos line is known to move around in the revisions, but for now it looks as though after a banner June, auto sales were not quite as brisk in July. Still, as a whole, it has been a good year; auto sales are up 6.1% from a year ago.

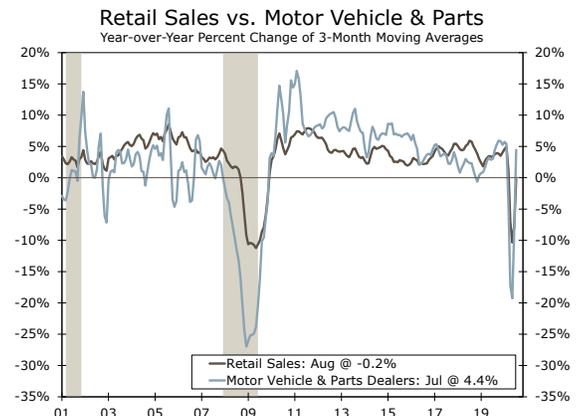
### What Happened to Summer Rec?

In a recent [note](#), Summer Rec, we talked about how many sporting goods and hobby shops had been cleaned out in recent months as many consumers sought to purchase basketball hoops, trampolines, and anything else to keep the kids busy with many camps closed this summer. After soaring 27.6% in June, sporting goods stores saw a 5.0% giveback in July.

### Well, Uhm, Actually a Pretty Nice Little Saturday Planned

Another category that had momentum coming into the month and fizzled a bit was building material and garden supply stores. A walk around any suburban street on the weekend this summer will attest to the newfound interest in yardwork for homeowners without much else to do.

This category which includes stores like Lowes and Home Depot saw sales shoot up 13.7% in May and June, before giving back 2.9% here in July. Perhaps as some parts of the service sector re-opened, people found something else to do with their time on the weekend. Note however, that this category has not only recovered, it is up 6.8% versus its pre-recession peak.



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