



Popular Economics Weekly: Retail Sales Augur Better Economic Growth Ahead

By **Harlan Green** / Special to Voice

MANY SIGNS ARE POINTING TO BETTER GROWTH AHEAD, led by consumer or retail spending. Ex-auto ex-gas offers a gauge on underlying trends in consumer spending, as non-store retailers popped a 1.1 percent surge in the month which follows even stronger gains in prior months.

Additionally, department stores, up 0.9 percent, show a big comeback in the month with sporting goods and hobbies strong for a second month. There was also a large 3.9 percent surge in building materials and garden equipment, a component that had been lagging. This is because of surging housing sales—both new and existing homes are now topping six million units per year, back to pre-recession (though not housing bubble) levels.

Industrial production is reviving as well. Industrial production in June grew at the fastest monthly rate in eleven months, on the back of strong auto and utility output, but analysts said the sector was still likely to face headwinds in coming months.

The Federal Reserve said Friday that industrial production grew 0.6 percent in June, topping the economists' consensus for 0.5 percent growth. This is the fastest growth since last July.

The production of motor vehicles and parts surged 5.9 percent in June following a 4.3 percent drop in May. Year-on-year, this component tops the list with 7.8 percent growth compared to only 0.4 percent growth for manufacturing as a whole. Only due to vehicles, manufacturing managed to put in a good showing in June, up 0.4 percent on the month to reverse a revised 0.3 percent decline in May.

The numbers look good enough to augur three percent GDP growth in Q2. Retail sales in particular are a major plus for the second-half economic outlook, not to mention coming data on the second quarter (sales for April, after the second revision, are at a standout plus 1.2 percent, for instance). Monthly core retail sales were up a very large 0.7 less volatile auto and gas sales—which translates to a 8.6 percent annual sales rate, but averages out to a four percent increase year to date.

In other words, the job market (and so economic growth) is healthy and the consumers alive and spending.

Harlan Green has been the 11-year Editor-Publisher of PopularEconomics.com, a weekly syndicated financial wire service. He writes a Popular Economics Weekly Blog. He is an economic forecaster and teacher of real estate finance with 30-years experience as a banker and mortgage broker.