USA: Retail Sales Well Below Expectations; Lowering Q3 GDP Tracking to +2.2%

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BOTTOM LINE: Core retail sales fell 0.4% in July, well below expectations, and the level of core retail sales was revised down 0.4% in June. The sequential weakness is July was likely exaggerated by an early Amazon Prime Day, which normally occurs in July but occurred in June this year: the nonstore retailer category declined 2.2% and contributed -0.4pp to core retail sales. Nevertheless, we continue to expect consumer spending growth to slow from the solid pace of 2026H1, as the boost to consumer cashflow from larger-than-usual tax refunds that supported spending earlier this year fades and the headwind from higher energy prices remains. Smoothing across the Prime Day noise, we estimate that the three-month annualized pace of real core retail sales growth fell to +1.1%. We lowered our Q3 GDP tracking estimate by 0.5pp to +2.2% (quarter-over-quarter annualized).

US MAP:

Retail sales ex-autos -4 (4, -1)

KEY NUMBERS:

Retail sales -0.6% (MoM) for July vs. GS -0.1%, median forecast +0.1%, prior +0.2%

Retail sales ex-autos -0.3% (MoM) for July vs. GS flat, median forecast +0.2%, prior -0.2%

Retail sales ex-autos & gas -0.2% (MoM) for July vs. GS +0.2%, median forecast +0.3%, prior +0.4%

Retail sales core/control -0.4% (MoM) for July vs. GS +0.2%, median forecast +0.3%, prior revised +0.4%

MAIN POINTS:

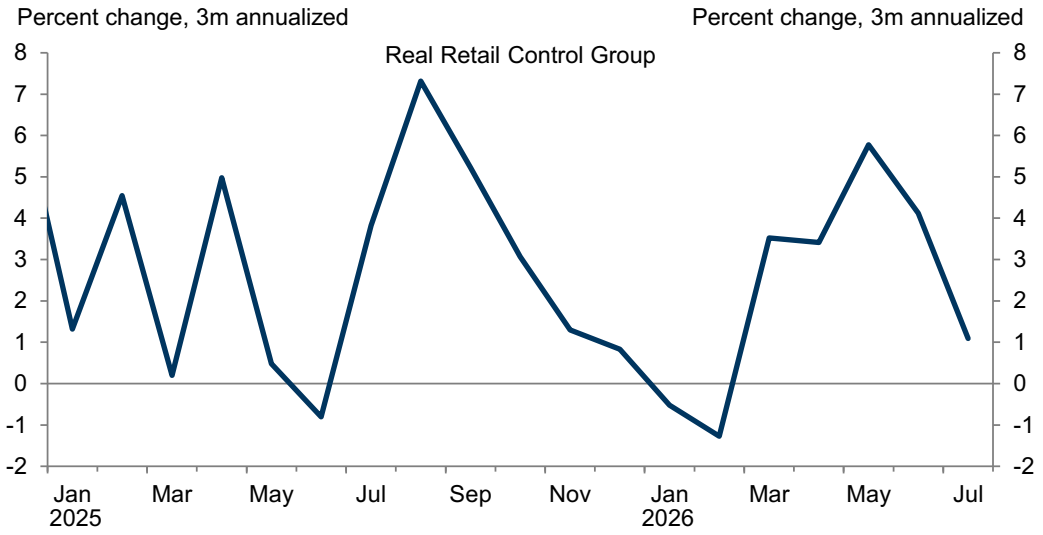
1. Core retail sales (ex-autos, gasoline, and building materials, month-over-month seasonally adjusted) fell 0.6% in July, well below expectations. The level of core retail sales was revised down by 0.4% in June, reflecting a -0.18pp downward revision to core retail sales growth in June and a -0.23pp revision to May. Headline retail sales fell 0.6%, also below expectations and reflecting a 1.8% month-over-month decline in auto spending.

2. The sequential weakness is July was likely exaggerated by an early Amazon Prime Day, which normally occurs in July but occurred in June this year: the nonstore retailer category declined 2.2% and contributed -0.4pp to core retail sales. Nevertheless, we continue to expect consumer spending growth to slow from the solid pace of 2026H1, as the boost to consumer cashflow from larger-than-usual tax

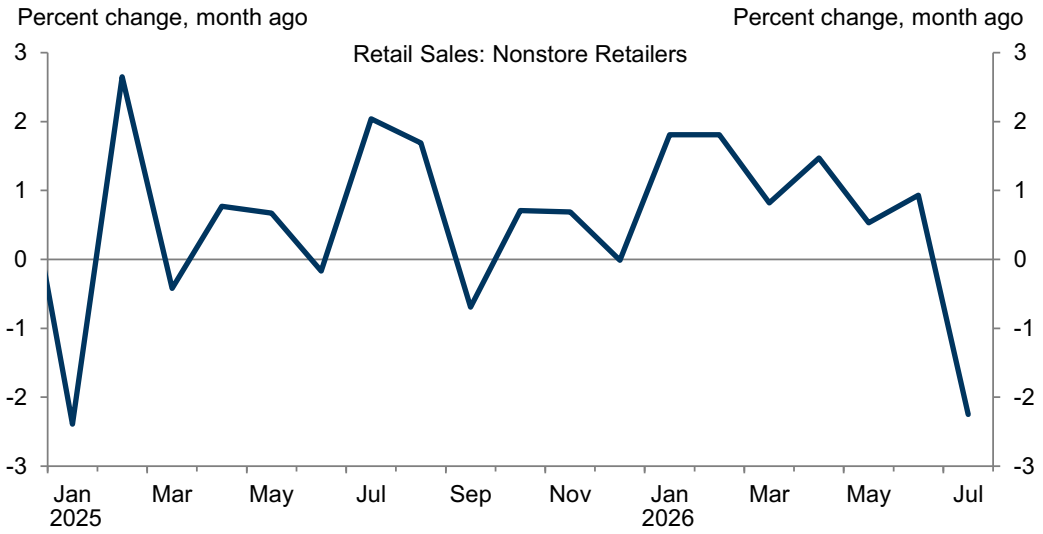
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refunds that supported spending earlier this year fades and the headwind from higher energy prices remains. Based on the details of the PCE and CPI reports, we estimate that the three-month annualized pace—which smooths across the Prime Day noise—of real core retail sales growth fell to +1.1% from +4.1% in June.

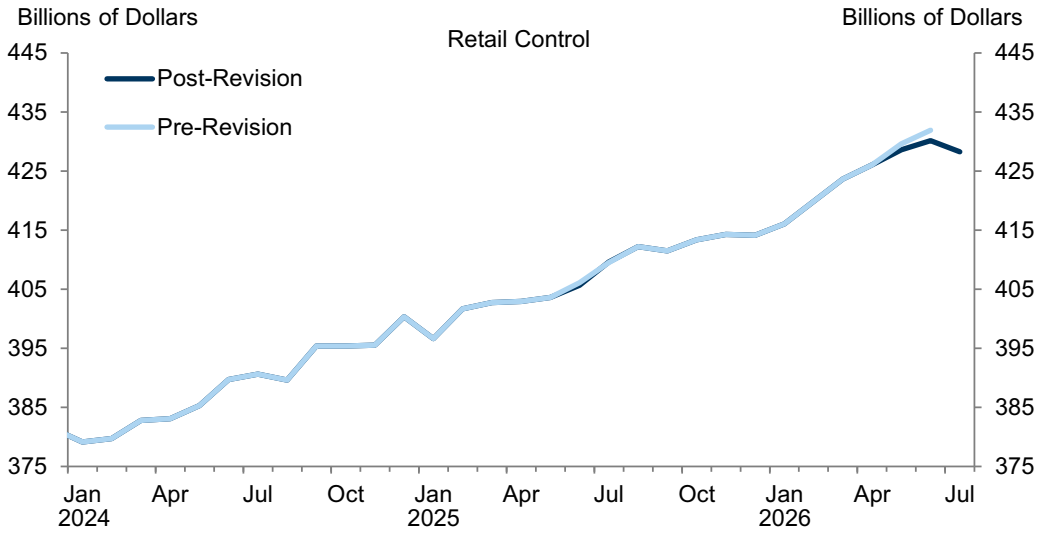
3. We lowered our Q3 GDP tracking estimate by 0.5pp to +2.2% (quarter-over-quarter annualized). We lowered our past-quarter GDP tracking for Q2 estimate by 0.2pp to +1.3%.



Source: Department of Commerce, Goldman Sachs Global Investment Research



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