

United States

Retail sales jump higher in July, matching surge in PMI consumer goods orders

- Retail sales beat expectations with 0.6% rise in July
- Data follow PMI showing largest rise in new orders for consumer goods for six months at manufacturers
- Upturn adds tentative support to view of consumers helping drive growth in second half of 2017

US retail sales rose at the fastest rate seen so far this year in July, matching a pick-up seen in PMI data relating to new orders placed at producers of consumer goods.

Retail sales grew 0.6% in July, with core sales also showing a similar rise, while June's data was revised higher to show a small 0.1% rise instead of the prior estimate of a 0.1% decline.

The improved sales trend pushed the US dollar sharply higher, having exceeded analysts' average expectations.

The data follow the release of IHS Markit's PMI survey data, which had shown new orders for consumer goods at US manufacturers rising sharply in July after weakness in prior months.

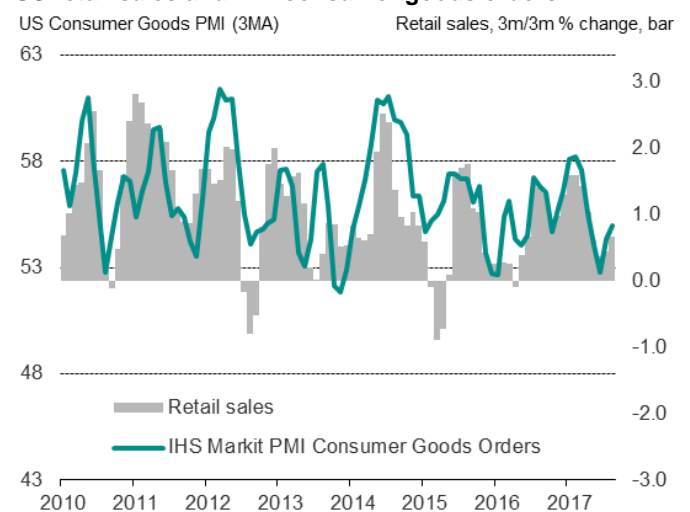
Having recently peaked in January, the PMI Consumer Goods News Orders Index exhibited a steady downward trend in the first half of 2017, slipping to its lowest for just over one-and-a-half years in June. However, the index measuring new business jumped to a six-month high of 58.0 in July as factories received an influx of new orders for consumer goods, indicating that retailers were restocking amid strong sales.

With the PMI data rising for the first time since January, it remains too early to tell if the upturn represents the start of a turnaround in retail sales, but the July numbers represent a good start to the third quarter, especially given improvements in the [wider PMI numbers](#). Upturns in the manufacturing and services PMI surveys indicated that the economy grew at its fastest rate for six months in July.

IHS Markit's economists expect consumer spending to be the primary driving force of GDP growth in the second half of 2017, supported by rising employment,

real disposable incomes, and household wealth. Income tax cuts in 2018 will likely help fuel a further acceleration in spending growth.

US retail sales and PMI consumer goods orders



Sources: IHS Markit, Thomson Reuters Datastream.

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