

JUNE 24, 2024

Paige Wilhelm
*Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling*

Retail sales slow; will inflation follow?

It's officially the summer travel season, so perhaps vacation plans and gasoline prices deterred consumers slightly last month. The Department of Commerce's Census Bureau said last week that retail sales for May rose just 0.1% month-over-month (m/m), lower than the consensus call for 0.3%. Core sales, which strip out volatile elements, was 0.4% m/m, also less than the markets anticipated 0.5%. Not a big disappointment, but a slight cooling.

The holiday-shortened week, with Juneteenth celebrated on Wednesday, held fewer reports, but the purchasing manager indexes (PMIs) for June came in stronger than expected. Manufacturing's level was 54.6 and services 55.1, both solidly in expansionary territory. It's fuel for the fire that the Federal Reserve might wait to douse with water via a rate cut.

Next Friday brings the May Personal Consumption Expenditures (PCE) index. It will be closely watched and rightfully described as critical to the July Federal Reserve meeting. Markets are projecting it to be flat—no change in prices—from April, and the annualized rate to slip from 2.7% in April to 2.6%. The consensus view for Core PCE is 0.1% and 2.6%, respectively.

Views are as of the date above and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector.

The Institute of Supply Management (ISM) manufacturing index is a composite, forward-looking index derived from a monthly survey of U.S. businesses.

The Institute of Supply Management (ISM) nonmanufacturing index is a composite, forward-looking index derived from a monthly survey of U.S. businesses.

Personal Consumption Expenditures Price Index (PCE): A measure of inflation at the consumer level.

Federated Investment Counseling