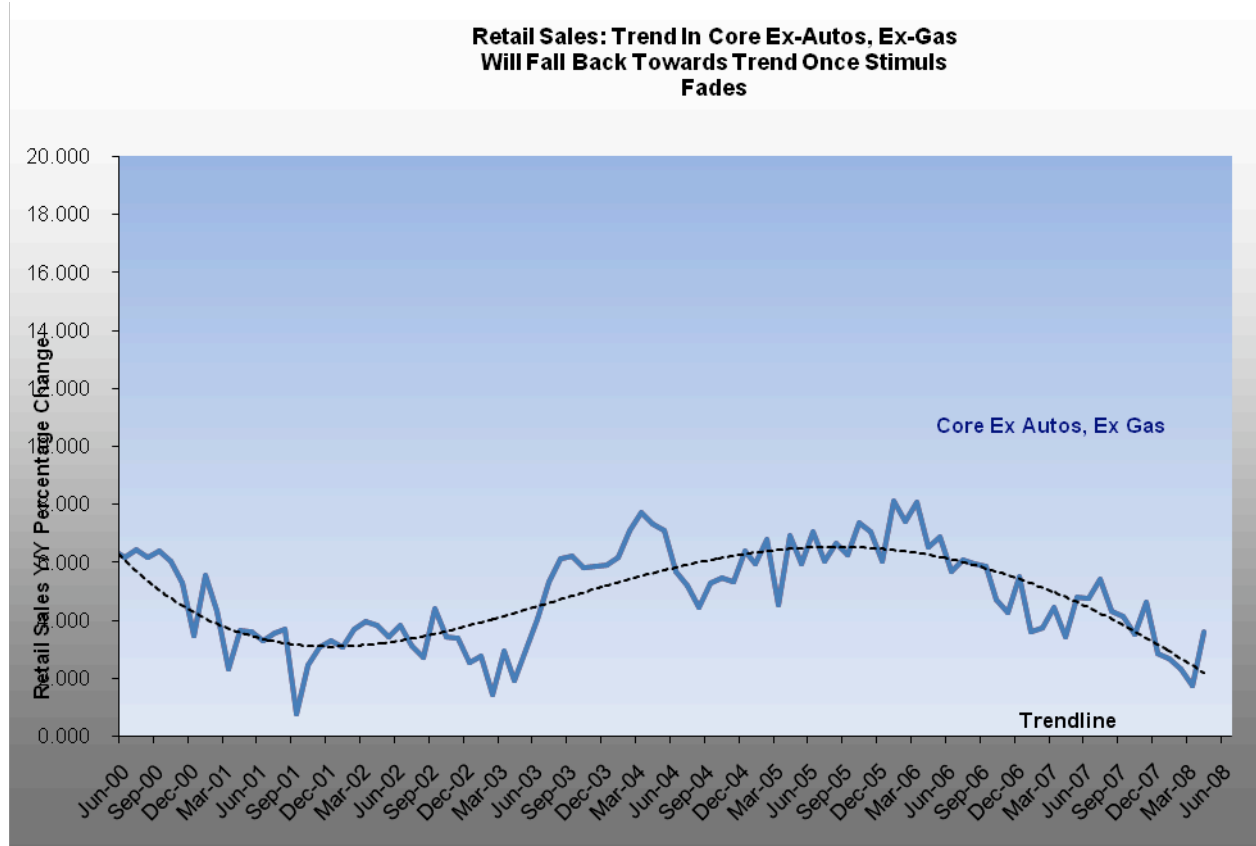




### Advance Retail Sales: Wither The Rebates?

Advance retail sales for the month of June increased 0.1% m/m and 1.0% y/y both below consensus market expectations. The core ex-auto component advanced 0.8% m/m and 4.6% year over year. Ex-gas, purchasing activity declined 0.5% m/m and 1.6% y/y. For the month of June ex-autos and building materials increased 1.0%, ex-autos and gas climbed 0.2% and ex food service saw a 0.1% increase.

Inside the data purchases of motor vehicles and parts declined -3.3%, furniture was down -1.4%, building materials fell -0.9% and electronics dropped -0.6%. Purchases of food and beverages items rose 0.7%, health and personal care 0.6% and activity at gasoline stations increased 4.6%



Much of the discussion regarding the June retail sales data will be focused on the below expectations print. But that is missing the point. The major narrative inside the data is the withering away of the impact from the fiscal stimulus. The decline in ex-gas spending is a precursor to the deterioration in real purchasing power that we anticipate will be the defining trend in the second half of the year. The well-timed policy response provided support for sales in April and May but declined perceptibly in June. We have been



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## NOTES ON THE MARKET

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making the case for some time that the trend in personal consumption, which was absolutely flat before the rebate checks arrived, would fall back towards zero once the stimulus provide by the Federal government faded to black. That process is now under way.