



With the release of the latest retail sales report from the U.S. Census Bureau last week, we have our first look at **August** overall retail sales and **July** shoe store sales.

Starting from a broader perspective, growth in overall retail demand grew a year-over-year 1.9% last month, slower than the year-to-date rate of expansion. The US Census Bureau is reporting last month's gain in overall retail sales & food services again was driven primarily by sales at nonstore retailers (up 10.9%), health and personal care stores (up 7.8%), and food services and drinking places (+5.8%). Gasoline station sales continue to stall (off -9.5%) as do sales at department stores (-5.0%), partially offsetting overall growth gained across most other retail sectors.

Meanwhile sales at US shoe stores continued to expand in July (up a modest 0.5%), marking the thirteenth straight improvement and capping the longest streak of gains in nearly three years. At a seasonally-adjusted \$2.856 billion, this latest reading stands as the biggest seasonally-adjusted July tally on record (chart 1). Chart 2 shows this gain in shoe store sales underperformed the expansion in the broader retail market in July, only the third time in eleven months this has occurred.

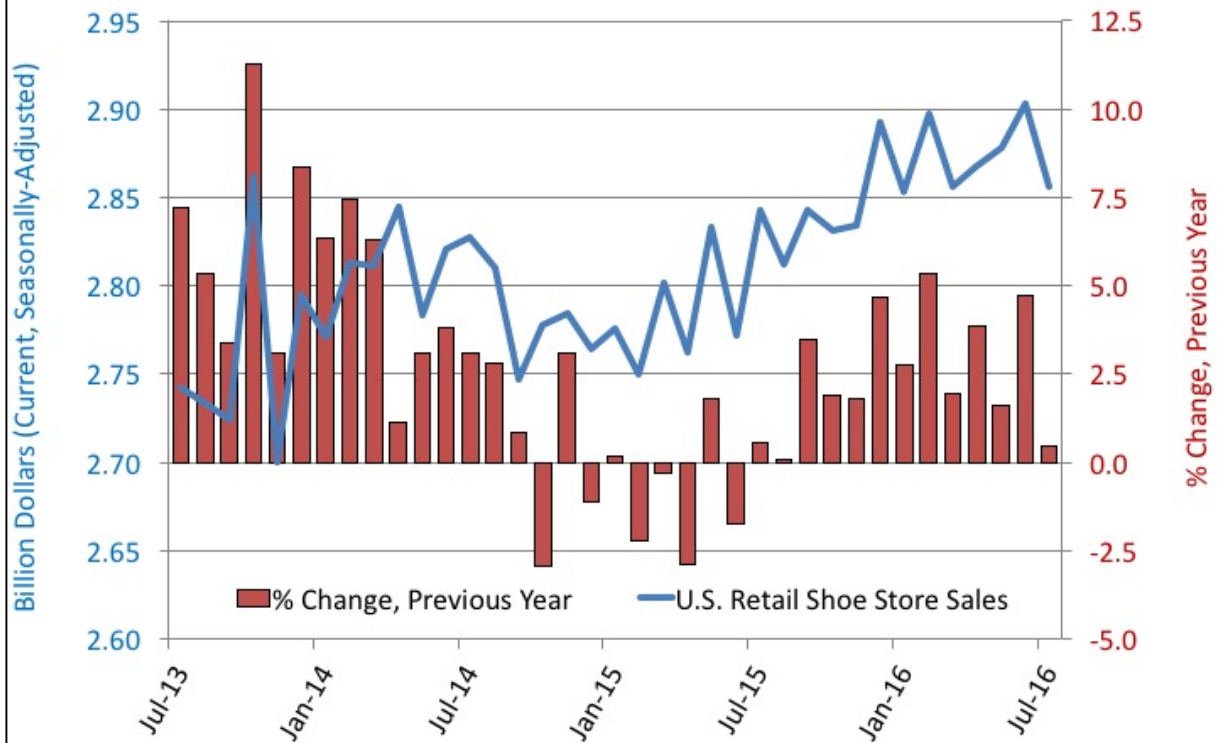
After four straight years of gradually decelerating annual sales growth, this latest reading--even though modest--reinforces our earlier view that the retail shoe store sector may see moderately faster sales growth in 2016 (chart 4). In fact, of the twelve times in the last 22 years that January-July sales grew at least as fast as this year's 2.9% advance, full-year sales grew at least 2.0% *all twelve years*, with annual sales growth actually averaging closer to 4.7% over these years. While we are not quite that upbeat on full-year prospects, we do expect annual shoe store sales to expand almost 3% to a record amount in 2016.

Chart 5 compares shoe store sales to consumer spending on footwear, a broader measure that encompasses big-box retailers. This chart shows shoe store sales and this broader measure of footwear spending both grew at slower rates again in July, moderating after June's third-fastest rates of expansion in two and a half years.

Charts 6 and 7 focus on consumer spending on footwear, showing demand grew a year-over-year 2.9% in July, the fifteenth straight gain. At a seasonally-adjusted annualized rate of \$77.1 billion, consumer spending on footwear is just shy of a record amount in this latest month.

There are seven charts below. The first chart shows monthly US shoe store sales and the year-over-year rates of expansion or contraction. The second shows a comparison of trends in overall retail sales with trends in shoe store sales, a component. The third shows annual shoe store sales over the last 23 years plotted against year-to-date sales over this period. The fourth shows the year-over-year % change of the data in chart 3. The fifth shows a comparison of US shoe store sales with US consumer spending on footwear, a broader measure. The sixth and seventh charts show US consumer spending on footwear plotted against its year-over-year % change on the right axis.

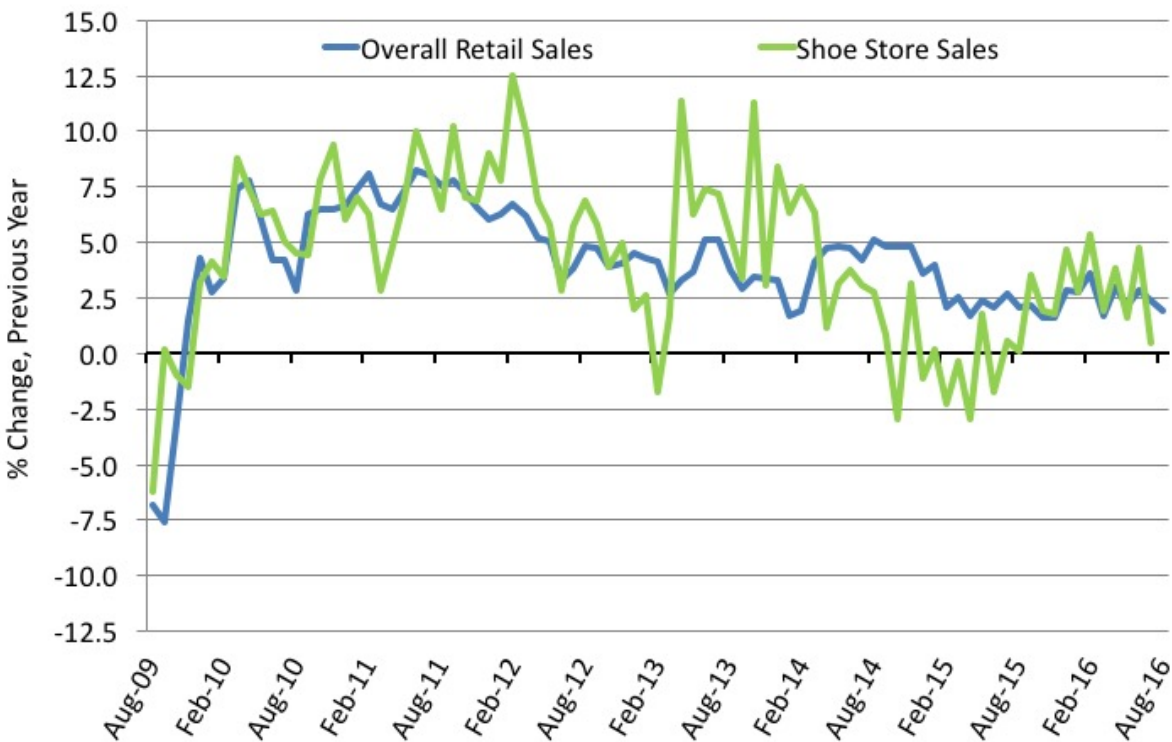
U.S. Shoe Stores Extend Streak of Sales Gains to Biggest July on Record



Source: U.S. Census Bureau



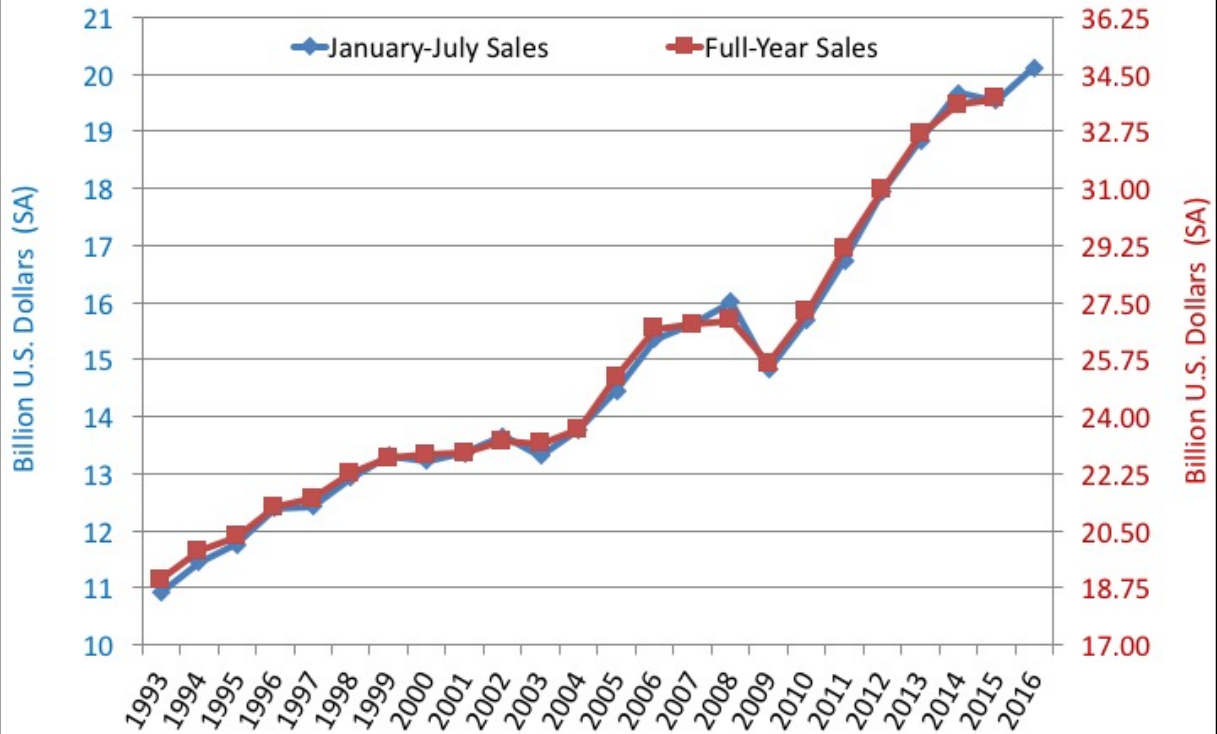
Shoe Store Sales see Tepid Expansion in July



Source: U.S. Census Bureau. Both series in current, seasonally-adjusted dollars.



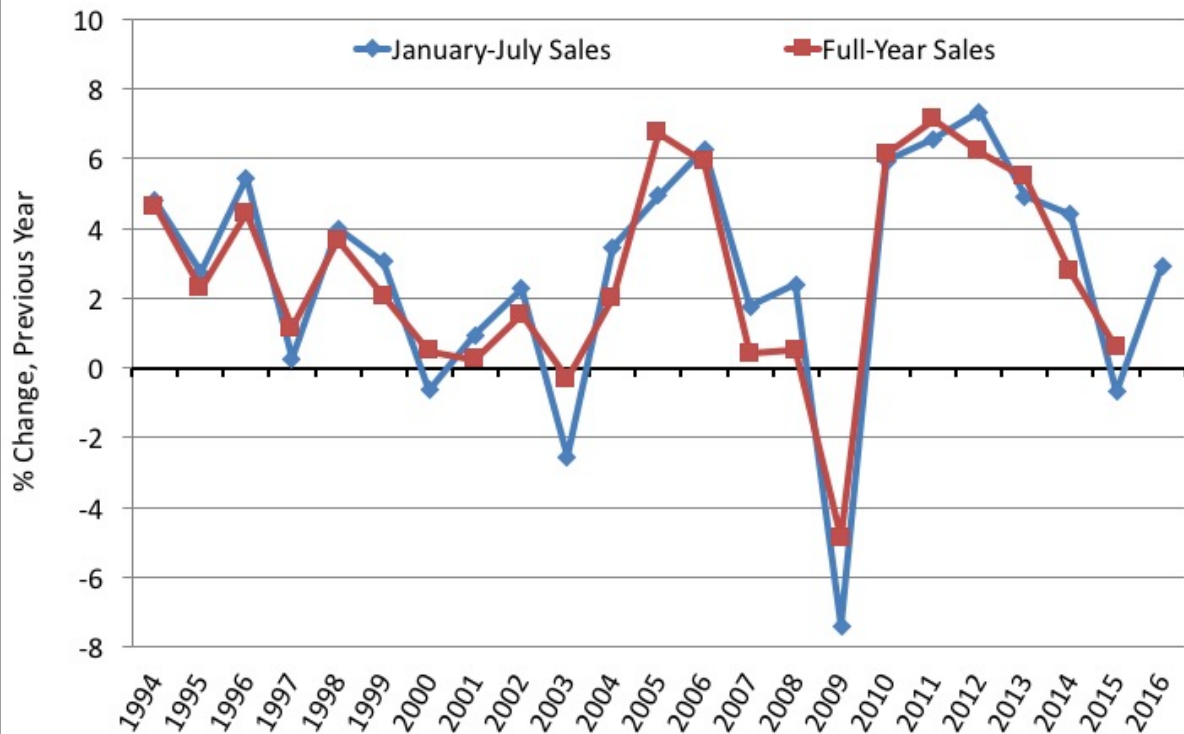
Year-to-Date Shoe Store Sales Point to another Record Year in 2016



Source: U.S. Census Bureau



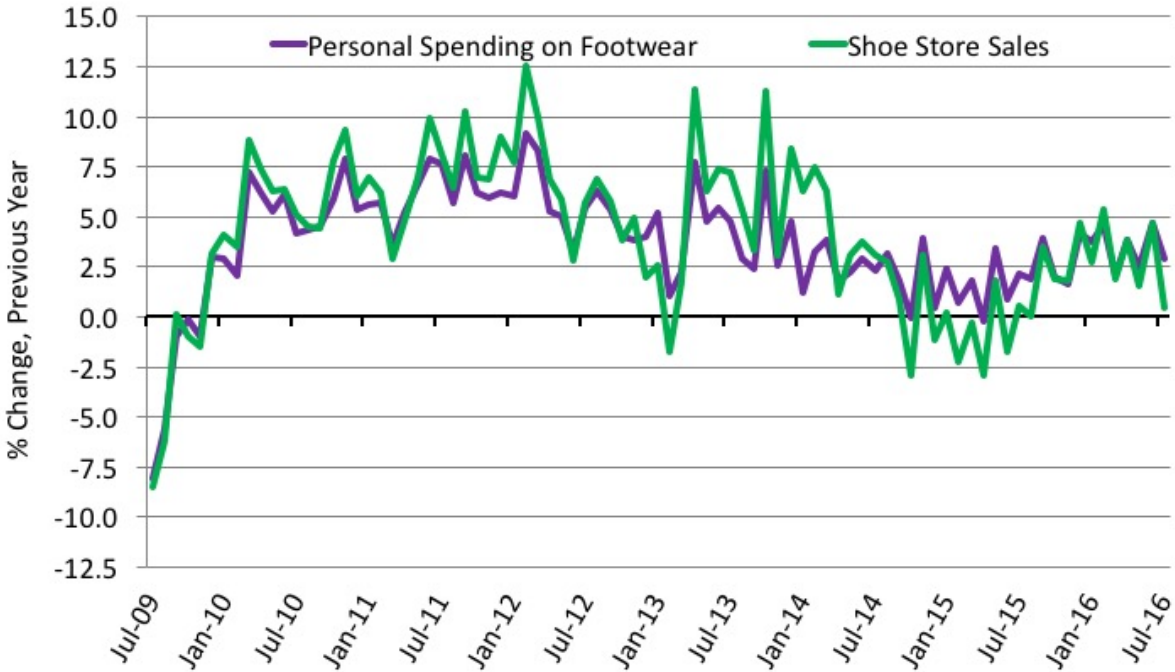
Year-to-Date Shoe Store Sales Gain Foreshadows Faster Growth in 2016



Source: U.S. Census Bureau

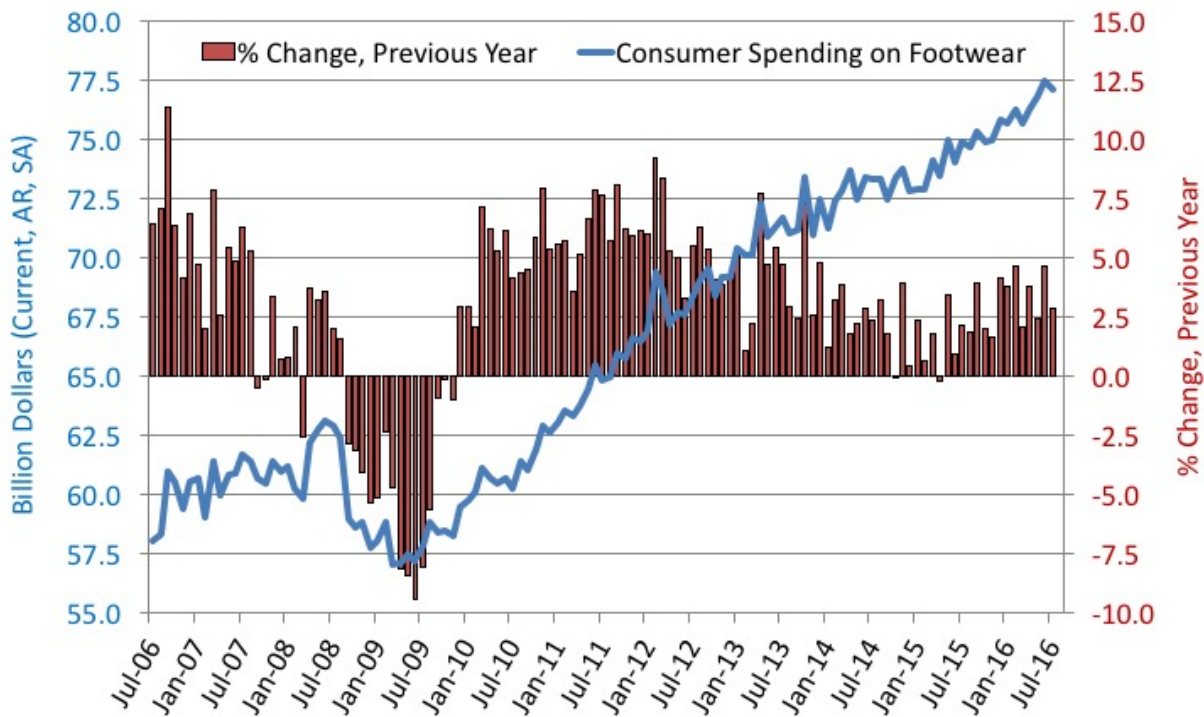


U.S. Personal Spending on Footwear vs. Shoe Store Sales



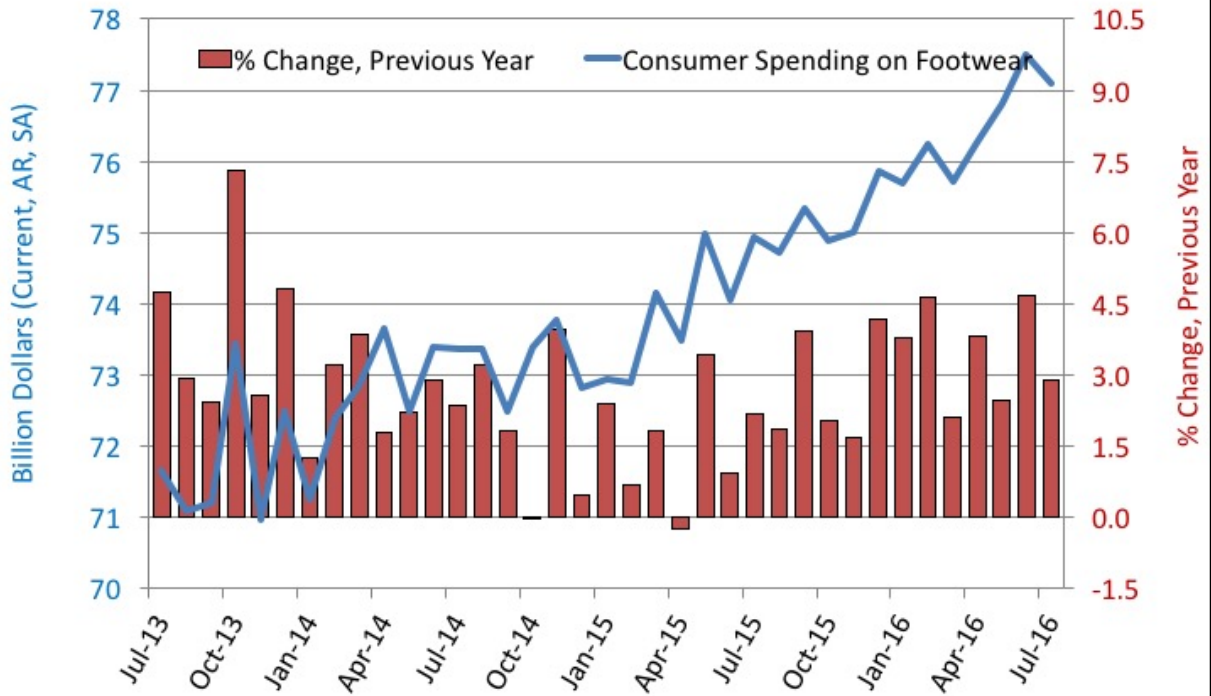
Sources: Bureau of Economic Analysis and U.S. Census Bureau. Both series in current, seasonally-adjusted dollars. Shoe store sales are comprised of shoe-store specific data including footwear independent retailers, large footwear retail chains and some footwear internet sales. Consumer spending on footwear is comprised of both shoe store sales and big-box retailers.

U.S. Consumer Spending on Footwear Expands Closer to Trend in July *A Broad Look at the Last Ten Years*



Source: Bureau of Economic Analysis

U.S. Consumer Spending on Footwear Expands Closer to Trend in July *A Closer Look at the Last Three Years*



Source: Bureau of Economic Analysis

