

### Consumers Remain Resilient as Tariffs Begin to Push Prices Higher

**Spending up but for select categories.** While a broad-based pullback in consumer spending appeared to be materializing in April and May, the trajectory of core retail sales shifted course in June, rising 0.6 percent monthly and 4.1 percent year over year. This expectations-exceeding performance suggests that despite concerns surrounding tariffs, overall consumer health remains steadfast. Mirroring recent months, households continued to prioritize spending at necessity-based stores and restaurants — retailers that are mildly to modestly impacted by new tariffs. In contrast, retail segments more exposed to recently enacted duties recorded monthly declines during June, as rising prices for big-ticket items — including appliances and furniture — held back some discretionary spending.

**Dining out stays a priority.** Consumer spending at restaurants and bars reached a record mark in June, with sales up 6.6 percent year over year. As some consumers scale back on travel due to financial concerns, the number of households that take road trips in lieu of flying domestically or traveling internationally may rise this summer, benefitting quick-service chains and restaurants near major interstates and tourist destinations. A decline in international travel to the U.S., however, may offset these potential gains. Still, a portion of dining-related companies — including Zaxby's, Sweetgreen and Gong Cha — appear confident in future consumer spending and are plotting expansion.

**Challenging environment awaits specific retailers.** Consumer spending on furniture, appliances and electronics fell in June, coinciding with prices for these items rising 1 percent to 1.9 percent. Department stores that sell these items were impacted, with sales down 3.1 percent monthly. Instead of shopping at these retailers, consumers are frequenting miscellaneous and general merchandise stores, where discounts are more frequent. This behavior is motivating off-price retailer expansion that is supporting the backfilling of recently vacated big-box space.

**Segment remains on upward trajectory.** Spending online rose 4.5 percent annually in June, suggesting consumers are still scouring non-store venues in search of discounts. The continued growth of the segment represents a boon for owners of warehouse and distribution properties, as increased spending will support demand from logistics providers and omnichannel retailers for space. Another new benchmark for online sales will likely be set in July, as Amazon Prime Day generated an estimated \$24.1 billion in U.S. sales.

**New legislation may aid stretched consumers.** The recent passage of the "One Big Beautiful Bill" Act provides modest tax relief for most households by raising the standard deduction approximately 8 percent to \$15,750 for single filers and \$31,500 for married couples filing jointly. In tandem, the Child Tax Credit increases from \$2,000 to \$2,200 per child, with the refundable portion now indexed to inflation. These enhancements should bolster household budgets, particularly for lower- and middle-income earning households juggling debt or experiencing financial strain.

4.1%

Year-Over-Year Increase in Core Retail Sales (June)

0.6%

Monthly Rise in Core Retail Sales (June)

### — First Half Spending Exceeded Expectations —



Change in Retail Sales (1H 2024 vs. 1H 2025)