

Retail Sales Actually Slowed Down. What It Means for the Fed.

By [Megan Cassella](#) [Follow](#) Updated July 15, 2022 3:27 pm ET / Original July 15, 2022 5:56 am ET

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American consumers have started to tighten their belts somewhat amid higher prices and rising interest rates, with retail spending once again slowing in real terms in June without trending down dramatically. That should be welcome news for a Federal Reserve looking to cool the economy without pushing it into a recession.

At the same time, consumer sentiment that had hit an all-time low in June improved slightly in July, likely a reflection of the recent fall in gas prices. And long-term inflation expectations dropped modestly over the month as well.

Together, the latest data shows early signs that the Federal Reserve is making progress in its quest to cool the economy without destroying consumer morale and, by extension, demand. The improvement in sentiment and moderation in inflation expectations suggests the central bank, through aggressive interest-rate hikes and commitments to reining in rising prices, has been able to impact consumers' views of where the economy is and where it's headed.