

August Advance Retail Sales

	AUGUST		JULY	
	SURVEY	ACTUAL	PRIOR	REVISED
Advance Retail Sales, Month-over-Month Change	0.2%	0.4%	0.7%	0.8%
Retail Sales ex-Auto	0.1%	0.0%	1.0%	--
Retail Sales ex-Auto and Gas	0.2%	0.1%	0.9%	--

HEADLINES

Retail sales rose 0.4% in August, exceeding estimates of 0.2% and accumulating a year-over-year increase of 4.1%. The data show that consumers are still spending.

WHY DO I CARE?

The consistently solid performance of retail sales since February is very encouraging for the overall economic outlook. This report is giving us the first indication of what total consumption will be for the month of August, and that number will flow into the third-quarter GDP report.

WAS THERE A BIG SURPRISE?

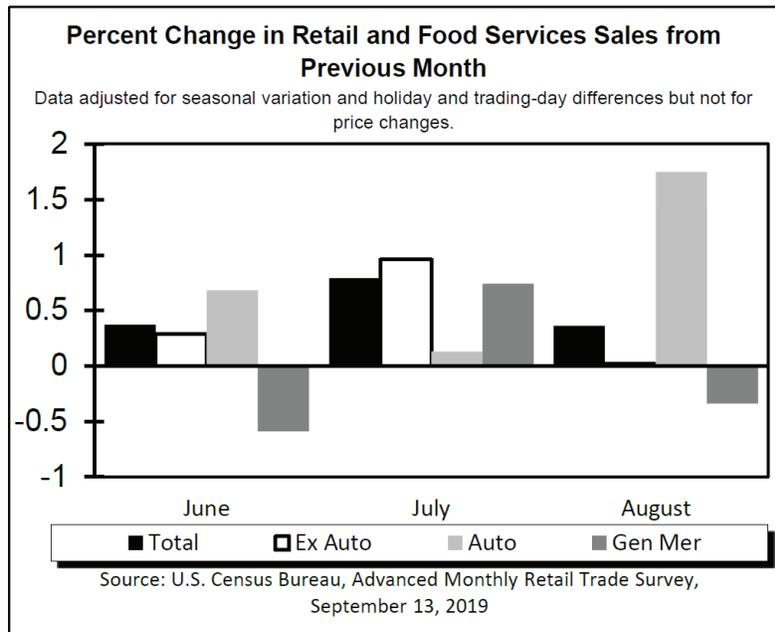
No, there was no big surprise, though the news was pleasant enough. The increase in spending was a bit concentrated among certain parts of the economy, which is less than ideal.

DETAILS

A significant portion of the strength in retail sales came from auto sales and vehicle parts, which grew 1.8% in August. This sector is the largest in the report, and this is considered a good sign because it represents an expensive and long-lasting category of goods. It's also highly variable, though the rate of growth in the last 12 months has also been very strong.

By contrast, gasoline sales were down 0.9% as falling oil prices translated into savings at the pump. This is also considered a positive sign, even though it represents a decline. If people are spending less on gas, they will spend more on other items—or so the logic goes.

This month, that was only partially true. Spending on both food and particularly restaurants and bars slipped 1.1%. A conclusion can't be made from one month of data, but the 12-month result for this sector is an increase of only 1.1%. These numbers were offset by internet sales, which rose 1.6% in August and 16% for the 12 months ended August 2019, a trend that has been going on for many years.



The August report does not give much support to the idea of further Federal Reserve easing, though that decision may have already been made. Retail demand remains reasonably strong on a month-to-month basis and almost surprisingly steady over the last 6 months. If this pace continues into September, demand will be a strong contributor to GDP growth in the third quarter. Trade uncertainty remains an issue for business investment, but if that uncertainty is moderated and business investment picks up, we could be back to 3%-plus growth for the economy.

The Advance Monthly Retail Sales report for September 2019 will be released on October 16, 2019.

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From the desk of Erik L. Olsen