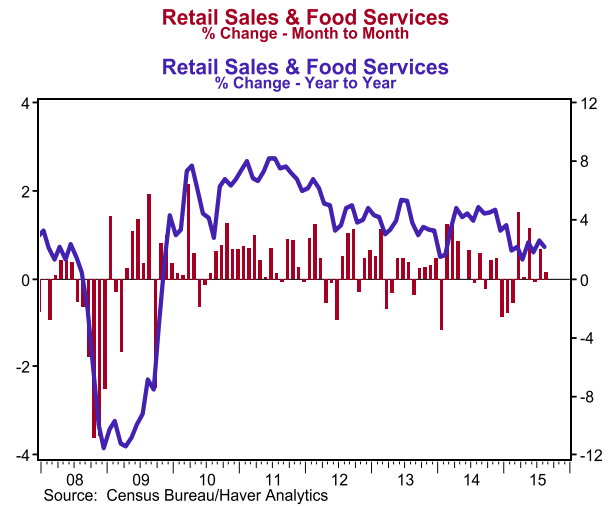


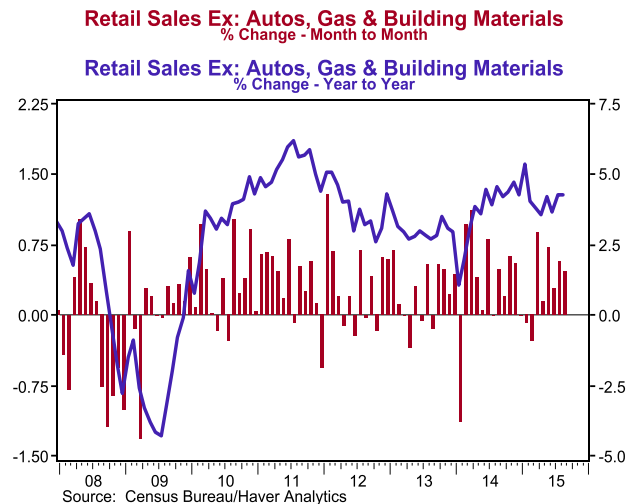
August Retail Sales

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- Retail sales increased 0.2% in August, 0.3% including revisions to prior months. The consensus expected a gain of 0.3%. Retail sales are up 2.2% versus a year ago.
- Sales excluding autos increased 0.1% in August, 0.2% including revisions to prior months. The consensus expected a gain of 0.2%. These sales are up 1.3% in the past year. Excluding both autos and gas, sales are up 4.0% versus a year ago.
- The gain in sales in August was led by autos and food & beverage stores. The largest declines were for gas stations and building materials.
- Sales excluding autos, building materials, and gas increased 0.5% in August (0.8% including revisions to prior months). If unchanged in September, these sales will be up at a 5.5% annual rate in Q3 versus the Q2 average.



Implications: Solid retail sales in August as well as upward revisions for July bolster the case that the Fed *should* start raising short-term rates later this week. Retail sales rose 0.2% in August, slightly shy of the 0.3% the consensus expected. But sales were revised up in July and the most volatile parts of the report – autos, building materials, and gas – were a net drag in August. “Core” sales, which exclude these most volatile sectors, were up 0.5% in August and revised up substantially for prior months. Although overall sales are up only 2.2% from a year ago, they’ve been accelerating lately, with sales up at a 3.5% annual rate in the past three months, which is tough to do when gas prices are falling. Gas station sales declined 1.8% in August as prices at the pump were again down for the month. But demand has been picking up for gas due to the lower prices. In the twelve months through June (the latest data available) Americans drove the most miles on record. Now it looks like we hit new record highs this summer. Plugging today’s report into our models, including the report on business inventories, it looks like second quarter real GDP growth will be unrevised at a 3.7% annual rate. Meanwhile, our models suggest “real” (inflation-adjusted) consumer spending, on goods and services combined, will be up at a healthy 3% annual rate in Q3 while real GDP grows at about a 2% pace. (Inventories should be a drag on real GDP growth in Q2).



Retail Sales <i>All Data Seasonally Adjusted</i>	Aug-15	Jul-15	Jun-15	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.2%	0.7%	0.0%	3.5%	7.4%	2.2%
Ex Autos	0.1%	0.6%	0.4%	4.0%	6.0%	1.3%
Ex Autos and Building Materials	0.2%	0.5%	0.4%	4.3%	6.3%	1.3%
Ex Autos, Building Materials and Gasoline	0.5%	0.6%	0.3%	5.5%	6.4%	4.3%
Autos	0.7%	1.3%	-1.6%	1.6%	13.3%	5.7%
Building Materials	-1.8%	1.9%	-0.2%	-0.7%	1.9%	0.9%
Gasoline	-1.8%	-0.6%	1.2%	-4.9%	5.7%	-17.2%

Source: Bureau of Census

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