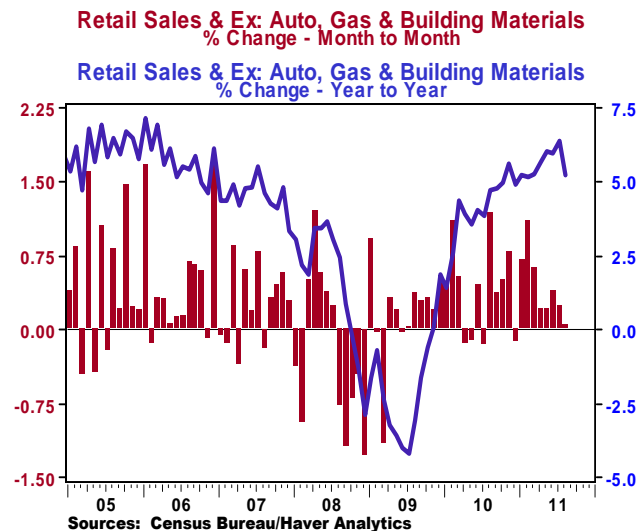
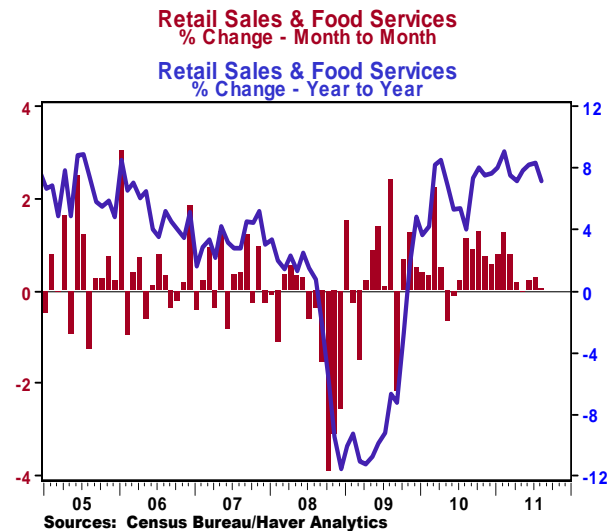


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August Retail Sales

- Retail sales were unchanged in August (-0.2% including revisions to June/July), falling short of the consensus expected increase of 0.2%. Retail sales are up 7.2% versus a year ago.
- Sales excluding autos increased 0.1% in August (-0.1% including revisions to June/July), also below the consensus expected increase of 0.2%. Retail sales ex-autos are up 7.3% in the past year.
- There were no major changes to any category of sales, either up or down.
- Sales excluding autos, building materials, and gas were up very slightly (0.0496%) in August but down 0.1% including revisions for June/July. These sales are up 5.2% versus last year. If these sales are unchanged in September, they will still be up at a 2.5% annual rate in Q3 versus the Q2 average. This calculation is important for estimating GDP.

Implications: Despite intense financial volatility, overall retail sales were essentially unchanged in August. This does not signal a recession and does not show any sign of a panic, like the one that took hold of consumers in late 2008. Sales are still up 7.2% versus a year ago and up 7.3% excluding autos, well higher than what we would expect if entering another recession. “Core” sales, which exclude autos, building materials, and gas, were up (+0.05%) in August – the eighth straight monthly increase – and are up 5.2% versus a year ago. Again, no sign of recession. Remember, even in years of solid economic growth, like 2003-04, on a monthly basis retail sales fall about one out of every four months. In other words, one month of flat or declining sales is not worrisome, as some would have you believe. As a confirmation of our view, we have been closely following high-frequency economic data. The newest data are yesterday’s reports on chain-store sales, which show no sign of any major slowdown. Redbook Research says same-store sales are up 4.5% versus a year ago while the International Council of Shopping Centers says sales are up 3.3%. (These are same-store sales and cannot be directly compared to overall retail sales.) Meanwhile, given recent reports on construction, inventories, and trade, it looks like real GDP growth in Q2 will be revised up from a prior report of 1% to about 1.3%.



Retail Sales <i>All Data Seasonally Adjusted</i>	Aug-11	Jul-11	Jun-11	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr % Change
Retail Sales and Food Services	0.0%	0.3%	0.2%	2.1%	2.9%	7.2%
Ex Autos	0.1%	0.3%	0.1%	2.2%	4.9%	7.3%
Ex Autos and Building Materials	0.1%	0.3%	0.1%	2.0%	4.5%	7.2%
Ex Autos, Building Materials and Gasoline	0.0%	0.3%	0.4%	2.9%	3.6%	5.2%
Autos	-0.3%	0.2%	0.5%	1.6%	-6.2%	6.4%
Building Materials	0.2%	-0.5%	1.4%	4.4%	9.9%	6.7%
Gasoline	0.3%	0.9%	-1.8%	-2.6%	9.8%	20.8%

Source: Bureau of Census