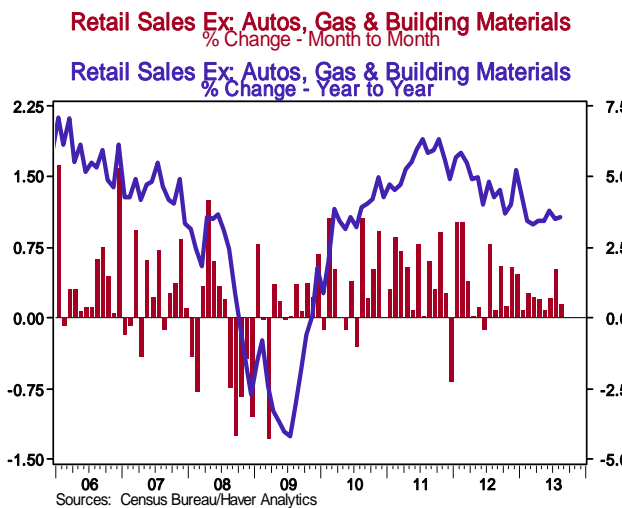
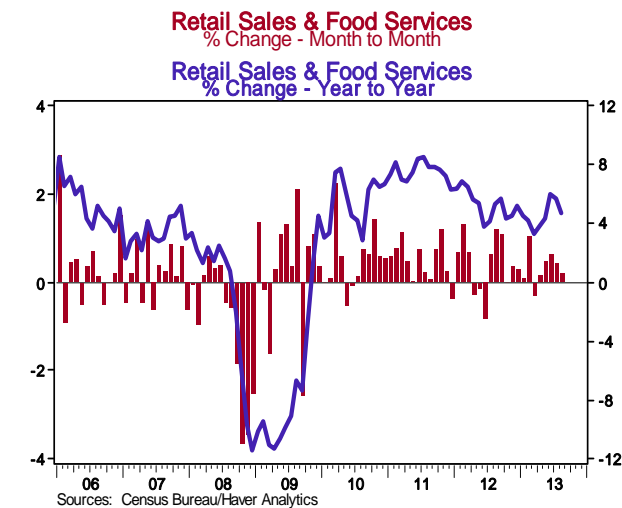


August Retail Sales

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- Retail sales increased 0.2% in August (+0.5% including revisions to prior months) versus a consensus expected gain of 0.5%. Sales are up 4.7% versus a year ago.
- Sales excluding autos were up 0.1% in August (+0.3% including revisions to prior months) versus consensus expectations of 0.3%. These sales are up 3.3% in the past year.
- The increase in sales in August was led by autos. The largest decline was for building materials.
- Sales excluding autos, building materials, and gas rose 0.2% in August but were up 0.3% including revisions to prior months. If unchanged in September, these sales will be up at a 3.3% annual rate in Q3 versus the Q2 average.

Implications: Retail sales increased less than the consensus expected in August itself, growing only 0.2% overall and 0.1% excluding autos. However, sales in June and July were revised upward. Including those changes, August came in exactly as the consensus expected. Typically, retail sales are volatile from month to month, with a few monthly declines even during periods of robust economic expansion. But total sales have only declined twice in the last fourteen months. “Core” sales, which exclude autos, building materials, and gas, rose 0.2% in August and are up fourteen straight months...which probably explains why we don’t hear any more about the federal spending sequester or fiscal cliff deal killing the consumer. Overall retail sales are up 4.7% in the past year. Assuming consumer prices rose 0.2% in August, “real” (inflation-adjusted) sales are up about 3%. Looking at Q3 only and including an estimate of services, it appears real consumer spending is growing at a 1.5% annual rate in Q3 and that overall real GDP is expanding at a tepid 1% rate. This temporary softness should give way to 3% real GDP growth in Q4 as consumer spending re-accelerates. For the time being, the economy continues to be a Plow Horse, with growth hovering around 2%, sometimes higher, sometimes lower. In other recent economic news, new claims for unemployment insurance plummeted 31,000 last week to 292,000. Continuing claims fell 73,000 to 2.87 million. However, the Labor Department says computer upgrades in two states caused them to report fewer new claims for last week, so look for either an offsetting jump in claims in the next report or a major revision to last week’s data. Either way, the trend in claims will remain headed down.



Retail Sales <i>All Data Seasonally Adjusted</i>	Aug-13	Jul-13	Jun-13	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%	0.4%	0.7%	5.4%	3.4%	4.7%
Ex Autos	0.1%	0.6%	0.2%	3.6%	1.6%	3.3%
Ex Autos and Building Materials	0.1%	0.5%	0.3%	3.8%	1.0%	2.8%
Ex Autos, Building Materials and Gasoline	0.2%	0.5%	0.2%	3.6%	2.9%	3.6%
Autos	0.9%	-0.5%	2.7%	13.1%	11.4%	10.9%
Building Materials	-0.9%	1.8%	-1.2%	-1.5%	6.3%	7.6%
Gasoline	0.0%	0.7%	0.5%	4.5%	-9.3%	-1.5%

Source: Bureau of Census